DRAFT

Discussion Paper of
Proposed Elements and Options for BSAI Crab Rationalization Program
(May 2001)

Background

Following the December 2000 meeting, the Council appointed a formal Council Committee to address rationalization of the BSAI crab fisheries. The Crab Rationalization Committee was tasked with developing elements and options for analysis and reporting to the Council at the April 2001 meeting. The Committee held an organizational meeting in early January 2001. At that meeting, the Committee discussed and recognized the importance of the work previously done by the ad-hoc industry committee as a starting point for further development. Efforts by the ad-hoc industry committee to consider various approaches to crab rationalization, including a vessel buy-back program, cooperatives, IFQs and the status quo, date back to the Fall of 1999. At its January organizational meeting, the Committee members reached consensus that, while they were not tasked to develop a preferred alternative for the Council, they should strive for as much definition as possible in the program design to facilitate both the staff's analysis and the Council's deliberations.

The Committee held two additional meetings in February and March, 2001. During these two meetings, the Committee made significant progress toward defining elements and options for analysis of a rationalization program for the BSAI crab fisheries. The proposed elements and options were presented to the Council's Advisory Panel (AP) and to the Council at the April 2001 meeting. The proposed rationalization program is an IFQ-type program consisting of three components: harvesting quota shares for harvesters, processing quota shares for processors and regional delivery restrictions. The Committee's proposal also includes several options for fitting the components together. While the rationalization program could be based on just one or two of the components, the Committee did not reach consensus on the relative desirability of a one-pie, two-pie or three-pie IFQ program. As a result, the Committee recommended to the Council that all three components be included in the analysis, recognizing that the Council may adopt a subset of the three.

At the April 2001 meeting, the AP reviewed the Committee's proposal and made a number of recommendations to the Council. The resulting proposal presented to the Council consisted of a complex suite of options and a relatively lengthy list of specific issues to be addressed in the analysis. Due to the complexity of the proposal and concerns about the potential degree of analytical difficulty, the Council requested staff to prepare a discussion paper for the June meeting on the proposed elements and options for the BSAI Crab Rationalization program. Specifically, the Council requested staff to provide perspectives on the anticipated amount of effort and time required to analyze the suite of options under consideration and, where possible, identify ways to make the analytical task more manageable. The Council requested staff to highlight in the discussion paper any proposed options that may be problematic in terms of data requirements, analytical difficulty, and management aspects in light of the Council's desire for the analysis to be completed by December 2001. The staff was instructed to use the AP motion (which includes alternatives from the Crab Rationalization Committee) as the focus of the discussion paper.

While the Council directed staff to use the AP motion as a starting point (including options imbedded in any failed AP motions and the AP's recommended list of items to be addressed in the analysis), the Council also requested that the discussion paper address the following additional options (see Attachment 1 for the draft AP motion, including these additional options):

- Expanded range for processor shares of 0-100%

- An initial allocation of 0, 10%, or 20% of harvesting quota shares distributed equally to qualifying crew members.
- Expanded range for crew shares that would receive first-right-of-refusal of 0-20%.
- Controls on vertical integration:
  - Option 1. No controls
  - Option 2. Allow purchases up to a cap (1%, 5% and 10%)

At the April meeting, the Council also adopted the following problem statement for rationalization of the BSAI crab fisheries:

BSAI Crab Rationalization Problem Statement

The crab fisheries in the Bering Sea/Aleutian Islands are fully utilized. Despite amendments to the LLP Program and AFA sideboards, capacity in these crab fisheries far exceeds available resources. The ability of crab harvesters to diversify into other fisheries has been severely curtailed under the LLP program and other management actions designed to bring stability to other gear groups and species. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. The race for fish continues to result in:

1. Resource/conservation management problems
2. Bycatch/handling mortality and dead loss
3. Excess harvesting capacity
4. Lack of economic stability
5. Safety issues

In the continued process of comprehensive rationalization, prompt action is needed to protect the crab resource and to promote stability for those dependent on the crab fisheries. In order to achieve a balanced resolution, the concerns of harvesters, processors and coastal communities must be addressed.

Organization of this Discussion Paper

While this discussion paper is *not* an analysis of the proposed program, it is intended to assist the Council in finalizing alternatives and options for formal analysis. Based on the direction provided by the Council, this discussion paper:

- Identifies key issues and which proposed elements and options relate to the various issues;
- Provides perspectives on the amount of effort and time required to analyze the suite of options;
- Highlights options that may be problematic in terms of data requirements (including confidentiality issues), analytical difficulty, management or implementation;
- Identifies ways to make the analytical task more manageable; and
- Identifies portions of the analysis where contract help may be needed.

In addition, this discussion paper includes an assessment of the scope of the analysis requested by Congress and whether formal analysis of cooperatives as an alternative to the proposed IFQ program is needed. Staff notes that, while cooperatives were considered at length during the ad-hoc industry committee meetings, the Crab Rationalization Committee focused mainly on IFQ-type approaches to rationalization.

This discussion paper starts with a discussion of the scope of the analysis requested by Congress and several other legal issues identified by NOAA General Counsel (GC). This is followed by an overview of the proposed elements and options for the BSAI crab rationalization program, including the main components of the program and potential types of IFQ models under consideration. While this discussion paper is not an analysis of the proposed program, it provides an outline of the formal analysis that will be undertaken once the Council finalizes the suite of options. Most of this discussion paper focuses on the analytical issues associated with specific elements or options, including identification of ways to streamline the analysis. This discussion paper is organized into the following sections:

A. Scope of Analysis Requested by Congress
B. Other Legal Issues for the Council to Consider
C. Overview of Elements and Options of Proposed IFQ Program
D. Outline of Analysis of IFQ Program Alternatives
E. Available Data and Ownership Information
F. Analytical Issues Unique to Harvesting Sector
G. Analytical Issues Associated with Processing Sector Options
H. Analytical Issues for Options that Define the Interaction of the Harvester and Processor Components
I. Analytical Issues Unique to Regionalization
J. Other Issues for Analysis Recommended by the AP
K. Summary of Analytical Time Requirements and Staff Recommendations

Several items are included as attachments to this document including (1) Draft AP motion from April meeting (revised to include options added by Council), and (2) suggested format for industry-provided ownership information.

A. Scope of Analysis Requested by Congress

As part of the Congressional act that established the crab vessel buy-back program (Pub. L. No. 106-554), Congress requested the North Pacific Fishery Management Council to examine fisheries under its jurisdiction to determine whether rationalization is needed and provide an analysis of several specific approaches to rationalization. The specific legislative language is as follows:

> "The North Pacific Fishery Management Council shall examine the fisheries under its jurisdiction, particularly the Gulf of Alaska groundfish and Bering Sea crab fisheries, to determine whether rationalization is needed. In particular, the North Pacific Council shall analyze individual fishing quotas, processor quotas, cooperatives, and quotas held by communities. The analysis should include an economic analysis of the impact of all options on communities and processors as well as the fishing fleets. The North Pacific Council shall present its analysis to the appropriations and authorizing committees of the Senate and House of Representatives in a timely manner."

With respect to this legal requirement, staff requested NOAA GC to clarify the following:

1. What is the scope of the analysis required by Congress and to what extent would the formal analysis that staff would normally prepare for Council action fulfill this obligation?

2. Does the analysis need to include consideration of cooperatives as an explicit alternative to an IFQ-type program?

3. In light of the moratorium on new IFQ programs and the fact that processing shares are not currently authorized by the Magnuson-Stevens Act (MSA), can the Council take action on an IFQ program (with or without processing shares) prior to Congressional actions to lift the moratorium and amend the MSA?

Staff received clarification from NOAA GC on these questions via teleconference on May 21, 2001. NOAA GC indicated to staff that, since the act explicitly states that the "Council shall analyze individual fishing quotas, processor quotas, cooperatives, and quotas held by communities," it does not appear to give the Council any discretion to exclude one of the approaches from the analysis. This is different from the Council's normal process whereby an alternative can be eliminated from further consideration as long as an adequate administrative record is developed that provides the basis for the decision. Based on this assessment, NOAA GC indicated that the analysis needs to include consideration of cooperatives.

While NOAA GC could not advise staff on the scope or depth of the analysis required by Congress, it was suggested that staff should strive to treat the different approaches in a balanced manner and that each option (IFQs, IPQs, cooperatives, etc.) should be placed on an equal analytical footing. NOAA GC believes that Congress likely wants a meaningful comparison of the impacts of the various approaches on communities, processors and the fleets. The depth and scope of the analysis should be tailored to provide this meaningful comparative analysis although NOAA GC believes Congress likely would not criticize the Council for providing *too much* comparative analysis.

NOAA GC further suggested that the Council may wish to consider distinguishing (1) the analysis required in response to the Congressional request from (2) the normal analysis required for Council action. For example, the analysis for Congress could provide a threshold analysis that compares the different approaches to rationalization and analyzes the implications of key design features of each type of program for harvesters, processors and communities. This threshold analysis could be followed by a more in-depth analysis of elements and options of a specific program such as a one-pie or two-pie IFQ program. NOAA GC indicated that the two types of analyses (threshold analysis of all approaches and in-depth analysis of a specific program) could be developed as separate documents or combined into a single document. Another difference between the analysis required by Congress versus the normal analysis required for Council action is that the latter necessarily requires review of the program for consistency with all applicable laws (e.g., NEPA, Regulatory Flexibility Act, Paperwork Reduction Act, etc.) while the former would not.

Finally, NOAA GC indicated that the Secretary of Commerce (SOC) cannot conditionally approve a program based on an anticipated change in applicable law. Thus, the moratorium on new IFQ programs would need to be lifted and an amendment to MSA to authorize processing shares would be required before the SOC could approve a rationalization program that included individual fishing quota and processing quota shares.

Regarding these suggestions, staff has the following comments:

< Preparing two separate analyses, one for Congress and another for the Council's action, would very likely increase the analytical effort and workload for the staff.

- It is difficult for staff to assess at this time which aspects of the analysis should be included in the "threshold" analysis versus which aspects should be addressed as part of the more detailed analysis of a specific program proposal.
- In order to provide a "threshold" analysis that compares IFQ-type programs to co-ops, staff would need certain design features specific to co-ops to be defined, such as the minimum number of vessels required to form a co-op. While many of the options for the proposed IFQ program would also apply to co-ops, staff notes that the identification of design features specific to co-ops may require input from the Crab Rationalization Committee.
- It is difficult for staff to determine the level of analysis that would be sufficient to support Congressional action either to lift the moratorium on new IFQ programs or amend the MSA to authorize processing quota shares.

Therefore, staff continues to recommend that the required analyses be developed as a single document. Once the analysis is completed, the Council could consider whether a portion of the analysis (such as the aforementioned threshold analysis) should be extracted out for purposes of fulfilling the request from Congress.

B. Other Legal Issues for the Council to Consider

In reviewing the proposed IFQ elements and options, NOAA GC also identified several other legal issues for the Council's consideration as follows:

1. In defining qualification criteria for allocating quota shares, consideration should be given to present participants up through the date of the Council's final action. NOAA GC notes that the potential for an IFQ program to grant quota shares to persons no longer participating in the fisheries was a pivotal issue in the lawsuit filed against the halibut and sablefish IFQ program. The use of "stale" qualification criteria has the potential to award QS to persons no longer in the fishery but also fails to consider the present participation of relatively new entrants; the court in the IFQ litigation was very critical of the halibut and sablefish IFQ program on both counts.

2. As the Council refines the design of the proposed IFQ program, the Council may want to consider the antitrust implications of certain design features of the proposed program.

3. The analysis may need to address whether certain design features of the proposed IFQ program are consistent with the "port preference" clause of the U.S. Constitution. Specifically, Article I, section 9, clause 6 of the U.S. Constitution provides that '[n]o preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another; nor shall vessels bound to, or from, one State be obliged to enter, clear, or pay duties in another.'

C. Overview of Proposed Elements and Options

Components of IFQ Program: The proposed IFQ program for the BSAI crab fisheries consists of three potential components as follows: (1) harvesting quota shares for the harvesting sector, (2) processing quota

shares for the processing sector, and (3) regional delivery restrictions to address community concerns. For each of these three components, the elements and options define the following (see Table 1):

- Categories of quota shares (QS for harvesters or PQ for processors);
- Initial allocation of quota shares;
- Annual allocation of IFQs (for harvesters) or IPQs (for processors);
- Transferability;
- Ownership caps;
- Use restrictions; and
- Other

While most of the options for each component address issues unique to the particular sector, additional options are proposed which define how the sectors will interact with each other. For example, for the harvesting sector component, quota shares may be categorized by processor delivery mode or by region if the Council adopts processing shares or regionalization, respectively. Or, for the processing sector component, several options are defined (under the annual allocation of IPQs) that govern the delivery of crab from harvesters to processors. Options for transferability, ownership caps and use caps address potential consolidation within each sector but also have implications for bargaining power between the sectors and the overall competitive market structure of the industry.

Types of IFQ Models: The Council may select all three components (harvesting quota shares, processing quota shares and regionalization) or various subsets of the three. Depending on which components are included, the resulting IFQ program will resemble one of the following four types of rationalization models:

I. Harvester only IFQ (includes harvester component only)
II. Harvester only IFQ with Regionalization (includes harvester and regionalization components)
III. Two-Pie IFQ (includes harvester and processor components)
IV. Two-Pie IFQ with Regionalization (includes all three components)

Thus, the proposed elements and options define at least four different alternative IFQ programs for the BSAI crab fisheries. While these four types of IFQ programs could be defined as separate alternatives, because of the extensive overlap between the different types of IFQ programs, this approach would likely result in a lot of redundancy in the analysis. Even if all three components are maintained as a single alternative, the analysis will need to include an extensive comparison of these different types of IFQ models since each has significantly different implications for the industry and stakeholders. **On the other hand, if the types of IFQ models the Council wishes to consider can be narrowed down, the analysis could be vastly streamlined. Note that the Crab Rationalization Committee was not able to reach consensus on the relative desirability of the different types of IFQ models. As a result, the Committee recommended that all three components be included in the analysis, recognizing that the Council may choose to adopt a subset of the three.**

Brief Descriptions of Each Type of IFQ Model: As just discussed, the proposed elements and options are grouped as a single alternative but actually represent four basic types of IFQ models. These four types of models are described briefly below:

Table 1. Overview of Potential IFQ Program Components

	1. Harvesting Sector	2. Processing Sector	3. Regionalization
Categories	**Categories of QS** - Crab Fisheries - Harvesting Sector - Processor Delivery - Region	**Categories of PQs** - Crab Fisheries - Region	**Regional Categories** - Regions - Harvester QS - Processor PQs - Years Used for Categorization
Initial Allocation	**Initial Allocation of QS** - Eligibility - Qualifying Years - Distribution Formula	**Initial Allocation of PQs** - Eligibility - Qualifying Years - Distribution Formula	
Annual Allocation	**Annual Allocation of IFQs** - GHL vs. TAC	**Annual Allocation of IPQs** - Percentage of GHL or TAC - Open Access Processing	
Transferability	**Transferability** - Eligibility - Leasing of QS - Captain & Crew	**Transferability** - Eligibility - Leasing of PQs - Regional Restrictions	
Ownership Caps	**Ownership Caps** - Level - Grandfather Clause	**Ownership Caps** - Level - Grandfather Clause	
Use Restrictions	**Use of IFQs** - Privileges by Sector - Catch Accounting - Use Caps	**Use of IPQs** - Use Caps	**Use Restrictions** - Delivery Restrictions - Processing Restrictions
Other	**Other** - Skipper and Crew - Rollover Provisions - AFA vessels	**Other** - Penalties - Rollover Provisions - AFA Processing Caps - Binding Arbitration	**Other** - Federal Subsidies

Harvester-Only IFQ (also called "one-pie IFQ"): Under this model, quota shares (QS) would be issued to harvesters. For harvesters eligible to receive QS in the initial allocation, the QS distribution will be based on each harvester's catch history relative to the total catch history of all qualified harvesters during the qualifying period. Each year, the QS holder will receive an amount of Individual Fishing Quota (IFQs) in pounds based on the Guideline Harvest Level (GHL) or Total Allowable Catch (TAC). The IFQs allow the holder to fish an amount of crab in pounds. Under this model, harvesters would not be restricted in where and to whom deliveries can be made.

Harvester-Only IFQ with Regionalization: This model is similar to the harvester-only IFQ model except that program elements would be added to "regionalize" deliveries of crab. Again, QS will be initially distributed to eligible harvesters based on catch history during the qualifying period. Regionalization will require that each recipient's QS be designated by region where deliveries of harvested crab would be required to be made. Note that regionalization would not restrict where crab could be harvested but would restrict where crab could be delivered (i.e., to a processor located in the region).

Two-Pie IFQ Model: Under this model, harvester quota shares (QS) would be allocated to harvesters and processor quota shares (PQs) would be allocated to processors. The QS and the PQs would be separate quota share pools - hence the term "two-pie." QS would be allocated to eligible harvesters based on their catch history during the qualifying period for harvesters. PQs would be allocated to eligible processors based on the processing history during the qualifying period for processors. Note that it is not necessary for the harvester qualified period to be the same as the processor qualified period since each determines the allocation within each sector. For this model, some percentage of crab harvested by QS holders would need to be delivered to processors that hold PQs. Several options are proposed for integrating the harvester component with the processor component.

Two-Pie IFQ Model with Regionalization: This model is similar to the two-pie IFQ model except that program elements would be added to "regionalize" deliveries of crab. The addition of regionalization would require the PQs to be designated by region; harvester QS may also need to be designated by region. The regional restrictions would require crab to be delivered to processors located in a region but would not restrict where crab could be harvested. The percentage of shares categorized for a region would be based on deliveries to processors to that region during a qualification period. Note that the qualification period for the regional categorization can be different than that used for the initial allocation of QS to harvesters and that used for the initial allocation of PQs to processors.

D. Outline of Analysis of IFQ Program Alternatives

Proposed Chapters of the Analysis: The following discussion provides an outline of the analysis and a tentative budget of the time available to complete the analysis. Assuming the Council's goal is to have a preliminary draft of the analysis completed by the October meeting, there are about 12 weeks of available time to prepare the analysis. An additional 4-5 weeks would be available between the October and December meetings to modify the analysis based on input received during the October meeting. The major chapters of the analysis are as follows:

Chapter 1. Introduction
Chapter 2. Current Status of BSAI Crab Fisheries

Chapter 3. Analysis of the Alternatives
Chapter 4. Environmental Assessment and NEPA Review
Chapter 5. Consistency with Other Applicable Laws
Chapter 6. Regulatory Flexibility Act
Chapter 7. References

Except for Chapters 2 and 3, the time and effort to prepare the remaining chapters are relatively insensitive to the Council's choice of options for the analysis. We estimate that these other chapters would require 2-3 weeks to prepare. This would leave 9-10 calendar weeks available to prepare Chapters 2 and 3.

Chapter 2 would provide baseline biological and economic information and data on the current status of the BSAI Crab Fisheries. The assessment of the existing conditions needs to anticipate and address many of the issues that will arise in the analysis of the alternatives. Thus, the assessment is somewhat sensitive to the Council's choice of options. For example, more extensive background information on processors and delivery patterns will need to be included if processor quota shares are included as an option. This section needs to include the following: (1) description of harvesting vessels, (2) description of processors, (3) relationship between catcher vessels and processors, (4) ex-vessel price determination and competition, and (5) regional and community conditions. **While there would be about 2 weeks *available* to complete this background section, staff believes that this section may require significantly more time to prepare.**

Break-down of Chapter 3: The analysis of the alternatives (Chapter 3) may be further broken down as follows:

Chapter 3	Analysis of the Alternatives	Budgeted Time (weeks)
3.1	Alternative 1. Status Quo	1
3.2	Alternative 2. IFQ Program	
3.2.1	Overview of IFQ Components and Models	
3.2.2	Harvesting Sector Component	1.5
3.2.3	Processing Sector Component	1
3.2.4	Integration of Harvester and Processor Components	1
3.2.5	Regionalization and Community Impacts	1
3.2.6	Comparison of IFQ Models	1.5
3.2.7	Other Issues	1
	Total:	8 weeks

For each subsection of the analysis, the amount of time *available* to complete it is indicated. **Note that this is *not* an indication of the time required to complete the analysis but, instead, a proposed *budget* of the available time. This serves as a starting point for assessing the extent that specific issues or options may make it difficult to complete the analysis in the time allotted.**

Description of Major Sections of Chapter 3: The section on the overview of the IFQ components and models (Section 3.2.1) will include mainly descriptive information and is not likely to require much time. The remaining sections will require significant effort and are highly sensitive to the Council's choice of options. Brief descriptions of these remaining sections are provided below:

Section 3.1 - Analysis of the status quo (Alternative 1): This section will draw heavily from the information provided in Chapter 2, Current Status of the BSAI Crab Fisheries.

Section 3.2.2 - Harvesting Sector Component: This section will provide a detailed analysis of the options that are unique to the harvesting sector component of the proposed IFQ program. It will include an analysis of the allocation of the GHL for each crab fishery by harvesting sector (catcher vessel versus catcher processor). It will analyze the suite of options governing the initial allocation of quota shares (QS) to eligible recipients. It will analyze all options governing changes in the distribution of QS, including transferability and ownership caps. This section will include analyses of other options that are unique to the harvesting sector including implications of the vessel buy-back program and proposals intended to address skipper and crew concerns.

Section 3.2.3 - Processing Sector Component: This section will provide a detailed analysis of options that are unique to the processing sector component. It will include an analysis of the initial allocation of processing quota shares (PQ) to eligible processors. This section will also address the effects of the amount of the annual GHL purchased historically by processors that would not be eligible to receive PQ. This section will analyze options that govern potential consolidation of processing capacity, including transferability and ownership caps. This section will also analyze the penalty and rollover provisions.

Section 3.2.4 - Integration of Harvester and Processor Components: This section will provide analyses of all options that govern the integration of the harvesting sector and processing sector components for a two-pie IFQ-type model. For example, several options are proposed that would define deliveries of crab harvested with IFQs to processors that hold individual processing quota shares (IPQs) versus deliveries made on an open access basis. This section would analyze cross ownership of harvesting vessels by processors and ownership of processing plants by harvesters and options for controlling vertical integration. This section will also address a proposal for harvesters and processors to use a non-governmental binding arbitration process for settlement of pricing disputes.

Section 3.2.5 - Regionalization and Community Impacts: This section will analyze options related to the regionalization of either a one-pie (harvester-only) IFQ model or a two-pie IFQ model. For a one-pie IFQ model, harvesting QS would be categorized by region and impose regional restrictions on deliveries of crab. For a two-pie IFQ model, processing PQ would be categorized by region, indirectly restricting deliveries of crab by region. This section will compare the effects of regionalization versus an IFQ program that did not impose regional delivery restrictions in terms of the potential impacts to coastal communities.

Section 3.2.6 - Comparison of IFQ Models: This section will provide an integrated discussion of the major implications of the different types of IFQ models. This section will compare the different types of IFQ models that could result, depending on the Council's choice of options. Each type of IFQ model will be compared to the status quo, to the other types of IFQ models and to other approaches to rationalization such as cooperatives. The analysis will include perspectives from economic theory in terms of the net benefit implications, changes in market structure and other distributional effects. This section will make quantitative comparisons where possible but mostly treat the potential effects in a qualitative manner.

Section 3.2.7 - Other Issues: This section will address any remaining issues including spill-over effects, conservation issues and other management, enforcement and safety issues.

Of the sections described above, Section 3.2.6, Comparison of IFQ Models, is likely to require the most significant effort and yet is also likely the least sensitive to the Council's choice of options. (Note that this section may serve as the basis for developing the "threshold" analysis for purposes of fulfilling the Council's obligation to Congress.) For portions of this analysis, staff may be able to draw on previous studies such as the NRC study "Sharing the Fish"and the reports by Matulich and Halvorsen.[1] In addition, a literature search can be conducted to identify other studies that have been subsequently published on the two-pie IFQ and cooperative models. If necessary, portions of this analysis may be contracted out for additional perspectives. The types of issues that this section will need to address include the following:

- Changes in net economic benefits to the Nation
- Changes in the consumer and producer surplus
- Changes in industry structure and competition
- Changes in products, product quality and ex-vessel prices
- Changes in the balance of power between harvesters and processors
- Changes in the balance of power between vessel owners and skipper/crew
- Effects of each type of program on stakeholders including harvesters, skippers/crew, processors, consumers and coastal communities

While staff has budgeted 1.5 weeks to complete Section 3.2.6, the required analyses may require significantly more time to prepare. A more realistic estimate of the amount of time required to complete this section would be 6-8 weeks. For example, it could easily take 3-4 weeks just to prepare a summary of the findings of previous studies and discuss the applicability of these previous studies to the models under consideration. Since the proposed models include design features that were not addressed in these previous studies, additional time and effort will be required to analyze the implications of the specific design features under consideration. **Thus, staff may need to contract out portions of this section in order to complete the analysis in the allotted time. In addition, the Council may find an independent third-party assessment of the proposed rationalization models helpful.**

The analytical effort involved for the other sections of the analysis are much more sensitive to the Council's choice of options. Analytical issues associated with specific options will be discussed for each component in Sections F-J of this discussion paper. These discussions will highlight options that may be problematic from an analytical standpoint or in terms of management or implementation.

E. Available Data and Ownership Information

The analysis will include two types of analyses: (1) analyses of specific options for each sector that govern the initial allocation, ownership, use and transferability of quota shares; and (2) analyses of the implications of the alternative approaches to rationalization on the stakeholders and competitive structure of the fishery. These analyses will require harvesting and processing data and ownership information. The types of data available include the following:

---

[1] S.C. Matulich et al., "Toward a More Complete Model of Individual Transferable Fishing Quotas: Implications of Incorporating the Processing Sector," J. of Environmental Economics and Mangement 31, 112-128 (1996).

R. Halvorsen et al., "Inshore Sector Catcher Vessel Cooperatives in the Bering Sea/Aleutian Islands Pollock Fisheries," prepared for NPFMC, February 7, 2000.

1. crab harvest information by vessel (from ADF&G fish ticket data sets)
2. crab purchases by processor (also from fish ticket data)
3. vessel's owner and vessel characteristics (from CFEC vessel registration files)
4. information on processors (from State of Alaska "Intent to Operate" data)
5. information on skippers (who typically are the vessel permit holder but not always)
6. links between LLP holders and vessels (from RAM data)
7. participation history in other fisheries (from fish tickets, NMFS Blend files, observer reports)
8. ex-vessel prices (from fish tickets, BOF reports and/or Commercial Operator's Annual Reports)
9. whole-sale prices (from Commercial Operator's Annual Reports)
10. effort information and harvest amounts (BOF reports)
11. fish taxes (from State of Alaska)

Note that, in general, staff has very limited information (if any) on the cost structure of firms (harvesters and processors) and on the secondary markets for crab products. As a result, it will not be possible to conduct a rigorous net benefit analysis. Instead, staff will rely on providing a qualitative description of the fishery and its participants and the expected directional impacts of the alternatives. In addition, gross revenue estimates at the ex-vessel and first wholesale levels can be made. These estimates, however, would not capture any changes in product forms or product quality that may result from the rationalization program.

Staff further notes that the detailed information and data on expenditure patterns required to conduct Input/Output analyses are not readily available. Instead, distribution of catch and gross revenues can be estimated as a way to assess the impacts of the alternatives on communities.

Ownership Information: Several options are proposed that require ownership information including caps on ownership of harvester shares and processing shares (applied individually and collectively), limits on foreign ownership and caps on cross-ownership (i.e., ownership of harvesting quota shares by processors and vice versa). In order to analyze these options, staff will need information on (a) the ownership of harvesting vessels (by other harvesters and by processors), (b) the ownership of processing facilities (by other processors and by harvesters), and (c) foreign ownership. The AP has also recommended that the analysis consider cross-ownership of harvesting/processing history. Ownership information is needed to analyze the universe of potential quota share recipients, the options for ownership caps and whether controls on vertical integration or divestiture would be necessary to maintain a competitive market.

While staff may be able to determine some information on vessel ownership by cross referencing available data bases, certain detailed ownership information will be difficult (if not impossible) for staff to determine. For example, for the list of vessels that have been issued Certificates of Eligibility to participate in the BSAI crab fisheries by NMFS (RAM Division), the names of the vessels' owners are identified. This ownership information can be cross-checked with two other sources: (1) the Alaska CFEC vessel registration files; and (2) the U.S. Coast Guard documentation. From this basic ownership information, staff can identify persons (individuals, corporations or partnerships) that may own multiple vessels. Additional information may be obtained from on-line references available for free via the Internet or by subscription (Lexis-Nexis). The type of information that would be most difficult for staff to determine would be information on part-ownership (a person or company that is a part owner of one or more vessels or processing facilities). Part-ownership information is needed for the analysis of the options for caps that apply individually and collectively.

During the Crab Rationalization Committee meetings, industry representatives offered to provide ownership information to staff for purposes of the analysis. To allow timely completion of the analysis, Council staff needs the ownership information by August 1, 2001. Attachment 2 identifies the type of information that staff needs from industry and a sample format for submitting the data. **Staff encourages industry to provide the information in a consistent format in order to facilitate staff's use of the data in the analysis.**

D. Analytical Issues Unique to Harvesting Sector

The proposed elements and options that define the quota share program for the harvesting sector are provided in paragraphs 1.1 - 1.8 of Attachment 1. The proposed options define the applicable crab fisheries, categories of harvesting quota shares (QS), eligibility criteria for receiving an initial allocation of QS, qualifying years for determining the initial distribution of QS, the annual allocation of IFQs, transferability of QS and IFQs, and ownership and use restrictions. Additional options include provisions for skipper and crew members. Based on staff's review of the proposed options, including input from NMFS, it is not clear whether the options as proposed reflect the Council's intent regarding who should qualify to receive quota shares and the basis for the distribution. In addition, some of the options proposed for qualifying years for each fishery may make the analytical task more burdensome. The following discussion addresses these concerns as well as other analytical issues specific to certain proposed options for the harvesting sector.

Categories of Quota Shares and Associated Privileges (Paragraphs 1.1 and 1.3 of Attachment 1): Paragraph 1.1 of Attachment 1 defines the crab fisheries to be included in the proposed IFQ program and paragraph 1.3 defines options for the various categories of quota shares for the harvesting sector. Crab fisheries to be included in the program are those subject to the Federal FMP for the BSAI that are also included in the license limitation program (LLP) for crab (see Table 2).

In most cases, the crab fisheries to be included in the proposed IFQ program mirror the LLP endorsement categories except for C. opilio and C. bairdi which are bundled as one LLP endorsement category but would need to be separate quota share categories for the proposed IFQ program. In addition, some smaller fisheries that have been closed or are considered developing fisheries, e.g., the deep water Tanner crab and Bering Sea golden king (brown) crab fisheries, are not included in the program although there is a suboption for including these fisheries in the program in the future. **Note that ADF&G has indicated to staff that developing fisheries should not be included in the program at this time because of low participation and unsurveyed stocks.**

Four main categories of harvesting quota shares are proposed: (1) crab fishery categories, (2) harvesting sector categories, (3) processor delivery categories, and (4) regional delivery categories. The quota shares (QS) would be denominated in units representing a percentage of the season's harvest. Each year, the QS would yield an amount of individual fishing quota (IFQs) denominated in pounds based on the year's guideline harvest level (GHL). For purposes of clarity and to facilitate the discussions to follow, each category and its associated privileges are described briefly below:

> Crab Fishery Categories - a separate category of QS would exist for each crab fishery included in the program. Each category of QS would yield an amount of IFQs in pounds that would allow the holder to harvest the respective amount and type of crab during the season for which the IFQs are issued.

Table 2. Fisheries under the Fishery Management Plan for Bering Sea/Aleutian Islands King and Tanner Crabs, including closed and developing fisheries.
(Developing fisheries are operated by ADF&G Commissioner's Permit)

Stock	Fishery	LLP area/species endorsement
Bristol Bay red king	open	Bristol Bay red king crab
Norton Sound red king	open	Norton Sound
Aleutian Is. golden king	open	AI golden king crab
Adak red king	closed	AI red king crab
Dutch Harbor red king	closed	AI red king crab
St Lawrence blue king	permit	none
Pribilof Is. golden king	permit	none
St. Matthew golden king	permit	none
Aleutian Is. scarlet king	permit	none
EBS scarlet king	permit	none
Pribilof Islands blue king	closed	Pribilof Is. king crab
St Matthew blue king	closed	St. Matthew blue king crab
Pribilof Islands red king	closed	Pribilof Is. king crab
EBS snow crab	open	BSAI C. opilio and C. bairdi
E. Aleutian Is. Tanner	closed	BSAI C. opilio and C. bairdi
W. Aleutian Is. Tanner	closed	BSAI C. opilio and C. bairdi
EBS Tanner	closed	BSAI C. opilio and C. bairdi
E. Aleutian Is. angulatus	permit	none
EBS angulatus	permit	none
E. Aleutian Is. tanneri	permit	none
EBS tanneri	permit	none
W. Aleutian Is. tanneri	permit	none

Source: NMFS and ADF&G

Harvesting Sector Categories - for each crab fishery, QS will be categorized as either catcher vessel (CV) quota shares or catcher processor (CP) quota shares. QS will be categorized as CP shares if the vessel both caught and processed crab on board during the qualifying period The privileges are defined by the type of quota share, not by the type of vessel on which the shares are fished. Thus, a holder of CV quota shares is only allowed to harvest crab while a holder of CP quota shares is allowed to harvest and process crab on board. **As proposed, the CP quota shares cannot be separated into separate harvesting and processing privileges.**

Processor Delivery Categories - if processing shares are included in the program, harvesting quota shares may also need to be categorized by processor delivery mode. If categorized by processor delivery mode, two classes of shares are proposed. Class A shares would require crab to be delivered to processors that hold sufficient processing quota shares (to be discussed later). Class B shares would allow crab to be delivered to any processor on an open access basis.

Regional Delivery Categories - under a harvester-only IFQ program with regionalization, harvesting sector quota shares would also be categorized by region. **The regional categorization would restrict deliveries of crab to processors located in each region but would *not* restrict where the crab could be harvested.**

Issues associated with the processor delivery and regional delivery categories will be addressed in sections E and G of this discussion paper, respectively. For the crab fishery categories, several options are proposed for the brown king crab and Adak red king crab fisheries. For brown king crab, three options are proposed as follows (see paragraph 1.3.1.1 of Attachment 1): (1) single category for all areas in catch history, (2) separate categories for brown crab harvested in Dutch Harbor and the Western Aleutian Islands, and (3) do not include brown king crab in the IFQ program. Staff notes the following with respect to these options:

- a single category of QS for brown king crab would not be reflective of the catch history earned by participants who decided where to fish based on economic and safety reasons;
- a single category of QS may result in most of the GHL being harvested in the eastern Aleutian Islands where it is less costly to fish which may have biological implications; and
- if brown king crab is excluded from the IFQ program, the Council may need to take specific action to keep brown king crab as an LLP fishery to prevent its return to open-access.

In addition, the reason for excluding brown king crab from the IFQ program has implications for the analysis. For example, if the reason for excluding brown king crab is because of interest by participants in that fishery to form a cooperative, then the implications of this potential cooperative would need to be considered in the analysis. **Staff suggests retaining the option to separate brown king crab into two categories of quota shares (Eastern and Western Aleutian Islands) and eliminating the other two options (Options 1 and 3 under 1.3.1.1 in Attachment 1) in order to streamline the analysis.**

Options Defining the Initial Allocation of QS (Paragraphs 1.2 and 1.4 of Attachment 1): In Attachment 1, paragraph 1.2 defines who is eligible to receive QS and paragraph 1.4 defines how the initial distribution of QS will be determined. As proposed, QS would be initially allocated to persons holding LLP licenses with an endorsement for the respective crab fishery. The person must be either a U.S. citizen, U.S. corporation or partnership that either (1) is eligible to document a U.S. fishing vessel or (2) has 75% U.S. ownership. The distribution of QS will be based on legal landings (excluding deadloss) during certain qualifying periods. Several options for qualifying periods are proposed for each crab fishery in paragraph 1.4.2 of Attachment 1. In addition, the AP proposed a method to calculate the distribution of QS as follows:

> "The intent of the AP is that the denominator used to determine the distribution of QS would be the sum of the histories of vessels qualified under Amendment 10. The AP notes that some vessels qualified under Amendment 10 are replacement vessels and recommend an option that the replaced vessels' history would flow to the replacement vessel."

Staff requests clarification of whether the 75% U.S. ownership requirement refers to the ownership of the vessel or the ownership of the corporation or partnership. Staff notes that current law requires all U.S. fishing vessels to be 75% U.S. owned and that this may not be a decision point for the Council. Staff also notes the following regarding these proposed options:

- some LLP holders may not own a vessel or may own a different vessel than the vessel that gave rise to the LLP license;

- in a very few cases (because of adjudications of claims) , more than one LLP license may have been issued for the same catch history;
- under the Amendment 10 exemptions, certain applicants may combine catch histories from more than one vessel to qualify;
- a relatively high percentage of interim LLP licenses have been issued in cases where the applicant's claimed catch history does not match NMFS' records. Such interim licenses are still under review or are being appealed. Implementation of the requirements of Amendment 10 are expected to add to the uncertainty.

Furthermore, the statute that established the crab buyback program (Pub. L. No. 106-554) also established criteria for certifying vessels for participation in the BSAI crab fisheries. (This statute is in the process of being amended to include vessels that would qualify under the Amendment 10 exemptions and to provide for replacement vessels.) As a result of this statute, only vessels that are certified and not bought back will be allowed to participate in the BSAI crab fisheries. While, in most cases, the certified vessel owner also holds the LLP license derived from that vessel's catch history, in some cases the LLP license derived from the certified vessel's activity is held by a different person. Note that, from NMFS' perspective, the transfer of an LLP license transfers the privileges and endorsements associated with that LLP license but does not transfer the catch history from which that LLP license was derived. NMFS does not track or keep records of privately negotiated transfers of catch history.

These issues have the potential to complicate both the analysis and the implementation of the proposed program. In cases where the certified vessel and the LLP derived from that vessel's catch history are not owned by the same person, the options as proposed do not clearly define who should receive the quota shares. While the rights to any quota shares issued on a vessel's catch history may be spelled out in privately negotiated contracts, neither the Council nor NMFS would be in a position to judge or legally enforce such contracts. **In terms of the analysis, these issues make it difficult to determine the universe of potential QS recipients and the amount of QS eligible recipients may be granted. In terms of implementation, there is an increased potential for disputes between the LLP holder and the vessel owner in cases where the LLP holder does not own the vessel(s) that gave rise to the LLP license.** In addition, the large number of persons holding interim LLP licenses could complicate the determination of the QS pool and delay issuance of QS to participants. Issuance of QS to interim LLP license holders that ultimately do not qualify could significantly dilute the value of any QS issued.

In order to proceed with the analysis, at a minimum, staff would need information that links the LLP license holder to (a) the vessel currently owned by the LLP holder, and/or (b) the vessel(s) that gave rise to the LLP license. **Staff also requests the Council to clarify its intent regarding the following:**

1. QS issuance will be based on:
   a. Catch history of vessel currently owned by the LLP holder
   b. Catch histories of vessels that gave rise to the LLP (including catch histories of vessels used to qualify under any Amendment 10 exemption)
   c. Catch histories that may have been retained by a person holding an LLP license derived from a vessel that was sold (e.g., to Russia)

2. In cases where the holder of the LLP license and the owner of the certified vessel that gave rise to the LLP are not the same persons, QS will be granted to the:

a. LLP license holder; or
b. certified vessel owner

If it is the Council's intent for the QS to be granted to the certified vessel owner, many of the ambiguities associated with the proposed options could be resolved by requiring eligible recipients to own a certified vessel and by distributing QS to the owner of the certified vessel based on the catch history that gave rise to that vessel's certification (including combinations if authorized by an amendment to the statute). This approach would greatly simplify the analysis by more clearly defining the universe of potential QS recipients, the basis for awarding the QS and to whom the QS would be granted. This approach would also make the implementation of the program more straight forward and reduce the number of disputes that would need to be resolved. Potential disputes and the need for NMFS to issue interim QS would also be reduced if the program rules clearly state that the only acceptable evidence of landings are State of Alaska fish tickets.

Another approach that could also reduce the potential for disputes would be to limit the qualifying years for each crab fishery to a more recent period. This is because the further back in time the qualifying period extends, the more vessels there are which participated during the qualifying period but are no longer eligible to participate. In many cases, the catch history of these ineligible vessels has been transferred to persons that hold an LLP license or own a certified vessel. In some cases, this transferred catch history was used by the applicant to qualify for the LLP license or certify the vessel.

In order to bracket the potential effects of this transferred catch history, the analysis will need to calculate the potential QS pool in two ways: (1) based on the catch history of certified vessels, and (2) based on the catch history of all vessels that participated during the qualifying years. Limiting the qualifying years to a more recent period would reduce the effects of this transferred catch history on the potential QS pool, streamlining both the analysis and the implementation of the program. Note, however, that while this approach would shorten the time period for which disputes would need to be adjudicated, it would not eliminate the potential ambiguities associated with issuing QS to the LLP holder.

In order to streamline the analysis and the implementation of the proposed program, staff requests the Council to clarify its intent regarding (1) the basis for the issuance of QS and (2) to whom the QS will be granted in cases where the holder of the LLP license and the owner of the certified vessel are not the same persons. This could be clarified, to some extent, by adding another requirement to the eligibility criteria defined in paragraph 1.2 of Attachment 1 as follows: (c) persons that own a vessel that is certified to participate in the BSAI crab fisheries under Pub. L. No. 106-554.

Qualifying Periods for QS Distribution (Paragraph 1.4.2 of Attachment 1): Paragraph 1.4.2 of Attachment 1 defines the qualifying periods for determination of the QS distribution on a fishery-by-fishery basis. The options span the 1990-'99 period, with several proposed sub-periods depending on the fishery. Staff notes that the Crab Rationalization Committee had recommended excluding the 2000/2001 seasons. The main reasons cited for excluding 2000/2001 were (a) processing side-boards were in effect, (b) the low GHLs in both 2000 and 2001, (c) icy conditions in 2000 delayed the season, and (d) the harvester strike in 2001. In addition, staff notes that the Council has previously indicated that catch history in the crab fisheries beyond December 31, 1998 may not count in future rationalization programs. This was noted in the Council October 1999 newsletter as follows (under "Crab Buyback Program and Cooperative Development):

> "As a backdrop for development of such a program (and to discourage speculative fishing activity), the Council reaffirmed its earlier policy statement that catch history in the crab fisheries beyond December 31, 1998 may not count in future rationalization programs, including a fishery cooperative system."

While this statement may not be binding, it provides another reason for why the years 2000 and 2001 are not under consideration. On the other hand, in light of input received from NOAA GC on the importance of not using "stale" qualification criteria, the Council may wish to review the proposed options for qualifying years for their consistency with guidance provided under MSA paragraph 303 6(b).

As discussed earlier, limiting the qualifying years to a more recent period would reduce the effects of the catch history of ineligible vessels on the QS pool, streamlining both the analysis and implementation. **Staff also recommends that the Council consider eliminating the options for qualifying years which were intended to mirror the vessel buy-back program.** The rationale for this suggestion is discussed next.

At the Crab Rationalization Committee meeting held on March 22-23, the Committee agreed to include the following options that were intended to mirror the buy-back program: Opilio: 1995-'99, red king crab: 1993-'99, St. Matthew blue king crab: 1994-'98, Pribilofs (red and blue king crab): 1994-'98, Bairdi: 1992-'96 and brown king crab: 1995-'99. For Opilio, the requested option (1995-'99) had been previously included. For all other fisheries, new options were added. These options were identified in the minutes of the March 22-23 meeting as being "consistent with buyback program." During the AP review of the proposed options during the April meeting, it was determined that these options were not consistent with the buyback program. As a result, the language "consistent with buyback program" was struck from the document but the options were retained.

Staff agrees that the proposed options do not mirror the buyback program. That is, the options as proposed reflect the last five years that each fishery was open (through 1999). The buyback program, however, determines value for vessels and assigns bid scores based on the last five years the vessel fished in each fishery during the period 1990-1999. The statute language is as follows:

> "*(i) assign a bid score to each bid by dividing the price bid for each reduction permit by the total value of the crab landed in the most recent five-year period in each crab fishery from 1990 through 1999 under that permit, with the value for each year determined by multiplying the average price per pound published by the State of Alaska in each year for each crab fishery included in such reduction permit by the total pounds landed in each crab fishery under that permit in that year; and*"

Thus, to include an option that mirrors the buyback program, we would need an option that grants QS based on each eligible vessel's five most recent years of catch history for each fishery during 1990-'99. This would result in a unique period of years for each vessel participating in each fishery. In theory, this option could be analyzed by determining the five most recent years of catch history for each vessel. Analysis of this option could be used to evaluate the potential impact of the buy-back program since vessels with the more highly valued catch history (based on each vessel's five most recent years of participation) are more likely to be bought back. It is not clear whether this level of precision is warranted given the uncertainty of which vessel owners are likely to participate in the buyback program. Instead of this approach, the Committee had suggested that staff assume a 25% reduction in the fleet's capacity as a way to evaluate the potential implications of the buy-back program.

Furthermore, if the options were proposed as a way to restrict the qualifying years to a more recent time period, an option that is truly consistent with the buyback program would not accomplish this goal since the full 1990-'99 period would need to be considered. **Thus, staff suggests that the following options be eliminated:**

1.4.2.2 Bristol Bay red king crab -	Option 2. 1993 - 1999
1.4.2.3 Bairdi -	Option 1. 1992 - 1996
1.4.2.4 Pribilofs red king crab -	Option 2. 1994 - 1998
1.4.2.5 Pribilofs blue king crab -	Option 2. 1994 - 1998
1.4.2.6 St. Matthew blue king crab -	Option 2. 1994 - 1998
1.4.2.7 Brown king crab -	Option 3. 1995 - 1999

For brown king crab, a suboption under paragraph 1.4.2.7 is proposed that would award each initial recipient equal amounts of quota shares for Dutch Harbor and the western Aleutian Islands. Staff notes that this approach would not be reflective of the actual catch history of qualifying participants. In addition, decisions made by participants on where to fish were based on economic and safety considerations. While the brown king crab fishery was split into two separate management areas starting with the 1996/'97 season, for purposes of the analysis and implementation, quota shares can be assigned to each area based on the ADF&G statistical areas recorded on the fish tickets. **Therefore, staff suggests dropping the suboption under paragraph 1.4.2.7 of Attachment 1 that would award each initial recipient 50/50-split of eastern/western Aleutian Islands brown king crab QS.**

Annual Allocation of IFQs Using GHL or TAC (Paragraph 1.5 of Attachment 1): Paragraph 1.5 of Attachment 1 defines two options for calculating the IFQs for the season: (1) based on the Guideline Harvest Level (GHL), or (2) based on a Total Allowable Catch (TAC). These options have significant management implications that will need to be addressed in the analysis. For example, in some years, ADF&G has made inseason adjustments to the GHL when inseason fishery performance suggests population abundance has been under/over-estimated. This is especially a concern in cases when the fishery is closed after only a portion (e.g., 25%) of the pre-season GHL is harvested. Management on a TAC basis may require ADF&G to set the TAC on a very conservative basis. NMFS has suggested that it may be possible to issue two rounds of IFQs, a first round based on the bottom end of the GHL range and a second round after the inseason adjustment. The analysis could look at the difference between the pre-season GHL versus where the fishery was closed to assess the potential level of conservatism required.

Eligibility to Receive QS/IFQs by Transfer (Paragraph 1.6.1 of Attachment 1): Paragraph 1.6.1 of Attachment 1 provides several options defining who would be eligible to receive QS or IFQs by transfer. Except for the first option (all persons or entities eligible to document a U.S. fishing vessel), the remaining options were added by the AP during the April meeting for the Council's consideration. The additional options include an option requiring entities to be 75% U.S. owned, an option for U.S. citizens to have at least 30, 150 or 365 days of sea time and an option that entities have a U.S. citizen with 20% ownership and at least 30, 150 or 365 days of sea time. **Note: since entities cannot have sea time, staff assumes this last option would require that the entity (not an individual) be 20% owned by a U.S. citizen who has the required sea time.**

These additional options may help ensure that the QS for the crab fishery are held by U.S. citizens or U.S. entities with 75% U.S. ownership. Also, in light of the fact that there is no "owner-on-board" requirement, a requirement for U.S. citizens to have sea time or a requirement for entities to employ or be partly owned

by a U.S. citizen with sea time may help ensure that the QS are held by persons that are involved in the fishing industry. In terms of the analysis, however, it will not be possible to determine the universe of potential transferees and, thus, the implications of these options will be addressed in a qualitative manner.

Ownership caps and Divestiture Options (Paragraph 1.6.3 of Attachment 1): Options for caps on the ownership of harvesting QS are provided in paragraph 1.6.3 of Attachment 1. The proposed options would define separate and distinct ownership caps for all QS in a given crab fishery which would apply individually and collectively. Options to require initial recipients to divest any shares in excess of the caps are included under the paragraph titled "Divestiture" on page 5 of the attachment (these options were part of a proposed AP amendment that failed). Requiring initial recipients to divest amounts above the cap would be an alternative to option (a) under paragraph 1.6.3 which would grandfather initial recipients that receive QS in excess of the cap.

Ownership caps provide a means of controlling consolidation of the fleet. While one of the goals of rationalization is to reduce over capacity, too much consolidation has implications for the balance of market power between harvesters and processors. Ownership caps may also help preserve the structure of the fleet in terms of the number of participants and distribution of vessel sizes. For example, a 5% cap with no grandfather clause would maintain a minimum fleet size of 20 vessels. Options for ownership caps of 3%, 5% and 8% are proposed for all crab fisheries under consideration except brown king crab and Adak red king crab. For brown king crab and Adak red king crab, caps ranging from 30%-40% and from 20%-30% are proposed, respectively. During the April meeting, the AP recommended adding a suboption to analyze a range of cap percentages bounded by the average up to the maximum QS holding at the time of the initial issuance with a grandfather provision. Staff believes that this suboption was added since some AP members felt that the proposed percentages for brown king crab and Adak red king crab were based on the maximum market share of current participants rather on the desired fleet size under a rationalized fishery.

Since the caps are intended to apply individually and collectively, analysis of the caps will require ownership and part ownership information. Otherwise, it will not be possible to estimate the distribution of QS at the time of initial issuance or determine the range (average to maximum) of percentage ownership. **In addition, while it may be possible to estimate the maximum percentage ownership, staff may not be able to report the actual maximum percentage due to confidentiality concerns.** Instead, the analysis could indicate a range that is likely to include the maximum ownership but not report the actual maximum percentage.

The analysis will also need to address the implications of the proposed ownership caps in terms of the structure of the fleet and balance of market power between harvesters and processors. For example, the need and potential efficacy of ownership caps may differ under a one-pie (harvester-only) versus two-pie IFQ program which the analysis will need to consider.

Use Privileges for Catcher Vessels and Catcher Processors (Paragraph 1.7.1 of Attachment 1): Paragraph 1.7.1 of Attachment 1 defines use privileges for harvesting quota shares. In general, under the proposed program, IFQs must be used in accordance with the privileges defined for the QS category from which the IFQs are derived. Once the IFQ program is implemented, the LLP program will cease to exist and the designations and endorsements defined by the LLP license will no longer apply. Instead, privileges to harvest and process on board will be defined by the type of IFQs held. The options in paragraph 1.7.1 would allow (1) catcher vessels that hold CP-IFQs to harvest and process on board, (2) catcher processors that hold CV-IFQs may harvest crab but must deliver such crab to another processor, and (3) catcher processors that hold

processing quota shares may process crab that was harvested with CV-IFQs whether harvested by themselves or by another harvester. In addition, a fourth option would allow catcher processors to convert any CV quota shares into CP quota shares at the time of issuance; a suboption would restrict owners of CP quota shares from purchasing additional CV quota shares.

These options define provisions that control the allocation of the annual GHL between catcher vessels and catcher processors. The first two options would allow catcher vessels to function as catcher processors and vice versa as long as each held the appropriate type of IFQs. The third and fourth options provide a mechanism whereby catcher processors could increase their capacity to catch and process crab on board. **Allowing catcher vessels to function as catcher processors (provided that the appropriate QS are held) and allowing catcher processors to increase their capacity may have enforcement, conservation and economic implications and trade-offs that will need to be addressed in the analysis.** For example, the analysis will need to address whether the rationalization program should include provisions for representative observer coverage for catcher vessels and catcher processors. In addition, allowing catcher processors to purchase processing quota shares could impact tax revenues to communities unless restrictions are placed on where such crab could be processed.

Catch Accounting Under IFQs (Paragraph 1.7.2 of Attachment 1): Paragraph 1.7.2 of Attachment 1 includes options for treating landings, deadloss and discards under the proposed IFQ program. As proposed, all landings including deadloss would be counted against the harvester's IFQs. For discards, four options are proposed: (1) no discards allowed and sufficient IFQs must be available for all legal crab; (2) no discards of "marketable" crab and sufficient IFQs must be available for all "marketable" crab; (3) no discards of Opilio crab with a carapace of 4 inches or greater; and (4) discards of incidentally caught crab will be allowed.

ADF&G has indicated to staff that under Options 1 and 3 (1 - no discards allowed and 3 - no discards of Opilio crab with a carapace of 4" or greater) would result in retention of 4" old shell crab that is unmarketable. Biologically, it may be preferable for 4" old shell crab to be thrown back due the reproductive potential of such crab.

These options have significant management and conservation implications that will need to be addressed in the analysis. For all crab fisheries, there is a distinction between regulatory discards of non-legal crab (e.g., females and under-sized males) versus economic discards of legal crab that is considered unmarketable. In the opilio and bairdi fisheries, old shell or dirty shell crab of legal size is considered unmarketable. While an IFQ program that eliminates the race for fish may increase soak times and reduce discards, a slower fishery may also increase the practice of high-grading (e.g., sorting and discarding of dirty shell crab). **Thus, the analysis will need to compare the relative effectiveness of the proposed options, including whether they are enforceable.**

Staff further notes that since the FMP defers authority over management of the crab fisheries to the State of Alaska, with Federal oversight, inclusion of these options in the program may change the FMP provisions defining the division of authorities between the Federal government and the State.

Vessel Use Caps (Paragraph 1.7.3 of Attachment 1): Two options are proposed for capping the amount of IFQs that can be used (i.e., fished) on a single vessel: (1) range from average to highest annual catch by vessel by species, or (2) no vessel use caps. While ownership caps function to limit the amount of QS/IFQs that a single entity can control, vessel use caps function more directly to maintain a certain number of

operating vessels. For example, if an ownership cap is set at 5%, then at least 20 unique entities would hold QS for a fishery. If vessel caps are set at 10% for the same fishery, all IFQs could be fished on as few as 10 vessels. While ownership caps play a role in the competitive market structure of the fishery, vessel caps have implications for the number of vessels and jobs for crew members. **In general, it may not make sense to set vessel caps below the ownership caps since this would force the QS holder to fish its IFQs on more than one vessel. Instead, it may make more sense for the vessel use caps to be the same as the ownership caps or some simple multiple of the ownership caps.**

Analysis of vessel use caps could build on the analysis of ownership caps but may yield different results to the extent that potential QS recipients own or partially own multiple vessels. For example, if potential QS recipients own on average two vessels, then the average catch per vessel will be less than the average harvest per potential QS recipient. **Since the information required to analyze vessel use caps is a subset of the information required to analyze ownership caps, staff believes that analysis of the options for vessel use caps would not require a significant increase in analytical effort.**

Skipper and Crew Proposals (Paragraph 1.8 of Attachment 1): Several options for skippers and crew members are proposed which have been consolidated in paragraph 1.8 of Attachment 1. Four options are proposed: (1) 0-20% of initially allocated quota shares would be distributed equally among qualified crew members; (2) eligible skippers and crew members would have first-right-of-refusal on 0-20% of shares transferred; (3) protection of traditional and historical crew share percentages with no sunset; and (4) establish a low-interest rate loan program for skippers and crew members to purchase quota shares. These options are intended to address several issues as follows:

- skippers and crew members have contributed substantially to the catch histories upon which quota shares will be issued;
- traditional compensation to skippers and crew members has been based wholly or largely on a percentage share of the harvest as a way to reward productivity;
- an IFQ program that results in fleet consolidation and removes the race for fish has the potential to shift the balance of power between vessel owners and skippers/crew members;
- fleet consolidation and elimination of the race for fish may also eliminate some skipper/crew jobs and devalue the skills and stamina of the skippers/crew that remain.

Specific analytical issues associated with these proposed options (except the fourth option to establish a low interest rate loan program) are discussed next.

Option 1 - Initial allocation of 0-20% of quota shares to qualified skippers and crew members. Under this option, the distribution of quota shares would be based on catch histories during the qualifying years defined in paragraph 1.4.2 of Attachment 1 except that a portion (ranging from 0-20%) of the quota shares would be allocated to qualified skippers and crew members associated with that catch history instead of the vessel owner (or LLP holder) . **Staff requests clarification of the Council's intent regarding whether the shares initially allocated to skippers/crew would be a separate category of shares (that would be permanently designated as skipper/crew shares) or just a percentage of the harvesting quota shares.**

For the analysis, information on hired skippers who held CFEC permits is available from fish ticket records which would allow tracking of each skipper's participation across fisheries (both crab and

non-crab fisheries). No similar records are kept of the numbers or identities of other crew members although some indication of crew sizes may be provided by public testimony or from past surveys. Since it may not be possible to determine the number of qualified crew members, the analysis will assume a range of crew sizes to illustrate the implications of the initial allocation and provide a basis for the percentage allocation to skippers and crew members.

Option 2 - First right of refusal on 0-20% of transferred quota shares. Under this option, a range of 0-20% of all initially issued quota shares would be earmarked as crew QS. Upon transfer, the seller would be required to include a percentage of the crew QS in the transaction and make such shares available to eligible crew members on a first-right-of refusal basis for a limited period of time (options for analysis include 1-2 months). If no eligible crew member comes forth with a valid bid during this time period, the seller could transfer all shares, including the crew QS, to the buyer. Thus, the crew QS may be purchased and held by a non-crew member if no eligible crew member purchases the shares during the specified time period.

Analysis of this option will consist of a description of how such a system might work in practice and identification of implementation issues. **Staff notes that the analysis of this option may be complicated by the fact that the amount of QS that would be available for skippers/crew to bid on may largely depend on other elements of the program (i.e., whether the shares may be leased).** Staff can also compare the proposal to the program established in the IFQ programs for sablefish and halibut to allow eligible crew members to purchase QS. For example, statistics on transfer rates and percentage of QS held by crew members over time may provide a basis for the percentage allocation for this option.

Option 3 - Protection of traditional crew share percentages with no sunset. While the intent of this option is to protect traditional crew share percentages, it is not clear how this would be accomplished or what the role of the government would be. For example, would each QS holder be required to disclose this information to NMFS prior to receiving the season's IFQs? Also, does "no sunset" imply that these protections would be in place irrespective of changing costs? In addition, information on crew share percentages is not available although the analysis could assume a range based on public testimony.

Staff suggests that Option 3 be dropped from consideration. Staff notes that the analysis of the remaining options will require a general discussion of the implications of an IFQ program for skippers and crew members, especially in terms of the potential impact on employment opportunities and the balance of power between vessel owners and skippers/crew members. The analysis will need to include this general discussion even if an explicit option to protect crew share percentages is not included in the suite of options for analysis.

Rollover provisions (Paragraph 1.8.2 of Attachment 1): Paragraph 1.8.2 of Attachment 1 defines options for allowing harvesters to roll over a portion (1%, 3% or 5%) of their IFQs to the next season. A similar provision is included under paragraph 2.8.4 for processors although with different percentages (1%, 5% or 10%). Staff believes that these options are intended to provide harvesters and processors with an improved bargaining position since each would be able to roll-over a portion of the harvest to the following year if negotiated prices were considered unacceptable. In order for these provisions to work in practice, however, the amount rolled over would need to be added to the next season's GHL (or TAC), otherwise it would simply dilute the value in pounds of everyone's IFQs in the next season. ADF&G has indicated that the GHL (or

TAC) would be established using their normal procedures and that the season's GHL would not be adjusted upward to account for roll-overs from the previous season. As a result, if one harvester rolled over 5% of its IFQs, that harvester would have 5% more IFQs in the next season but all IFQs issued that season would be diluted by 5%. ADF&G also indicated that the roll-over provisions would be problematic in cases where a fishery is closed early based on performance indicators. **Since it is not clear that the roll-over options would accomplish their intended goal, staff suggests that these options be dropped from consideration.**

Options for AFA Vessels (Paragraph 1.8.3 of Attachment 1): Two options are proposed for AFA vessels: (1) elimination of the AFA harvester sideboard caps upon implementation of the IFQ program, and (2) if the crab buy-back program goes into effect without crab rationalization, modify the AFA crab sideboards to permit AFA vessels to share proportionately in any increase in crab harvest opportunities that accrue to the remaining crab vessels. With respect to the first option, staff notes that lifting the AFA sideboard caps may result in higher QS prices since allowing AFA vessel owners to purchase QS would increase the number of eligible buyers. **Staff also notes that Option 2 is already provided for in the buy-back statute P.L. 106-554, section 144(d)(1)(I) and, therefore, does not need to be included in the IFQ program.**

E. Analytical Issues Associated with Processing Sector Options

Elements and options that define a processing quota share program for the processing sector are outlined in paragraphs 2.1 - 2.8 in Attachment 1. Inclusion of processing quota shares in the overall IFQ program would result in a two-pie IFQ model (with or without regionalization). The options define which processors would be eligible to receive processing shares, the qualifying years used to determine the initial distribution, the percentage of deliveries that would require processing shares (versus deliveries that could be made to any processor on an open access basis), transferability of processing shares, and ownership and use caps. Several other options are included which specify penalties and allowances to roll over unused processing shares.

While some of the options affect only the processing sector, many of the options have implications for how the processing sector would interact with the harvesting sector under a two-pie IFQ system. Analytical issues associated with options that mainly affect the processing sector are discussed in this section. Analytical issues for options that affect the interaction of harvesters and processors are discussed in section F. The analytical task associated with the analysis of processing shares in a two-pie IFQ model versus other approaches to rationalization (e.g., one-pie IFQ program, cooperatives, etc.) will be discussed in section H (see discussion under vertical integration and competition).

Categories of Processing Quota Shares and Associated Privileges (Paragraph 2.2 in Attachment 1): Two categories of processing quota shares are proposed: (1) crab fishery categories and (2) regional categories. The crab fishery categories mirror the categories for the harvesting quota shares except that Adak red king crab is not included since this fishery has been closed since 1995. Processing shares would also be categorized by region if regionalization is included in the program. Processing quota shares grant the holder the right to purchase crab that is harvested with harvesting quota shares. Crab purchased by a processor holding processing shares must be processed on shore or within three miles off shore. **(Note: staff assumes that processing shares would not be initially issued to catcher processors (CPs); eligible CP owners would instead receive a special category of harvesting quota shares.)** Processing quota shares or PQs are denominated in units and represent each holder's percentage of the processing quota share pool. Each year, the PQs would yield Individual Processing Quotas or IPQs denominated in pounds of

delivered crab (not pounds of processed crab). Issues associated with regionalization are discussed in section G of this discussion paper.

Options that Define the Initial Allocation of PQs (Paragraphs 2.1 and 2.3 of Attachment 1): Paragraph 2.1 of Attachment 1 defines who is eligible to receive an initial allocation of PQs and paragraph 2.3 defines options for the initial distribution of the PQs. In order to receive an initial allocation of PQs, a processor must be a U.S. corporation or partnership and must have processed crab for any crab fishery in 1998 or 1999. **Staff seeks clarification of whether or not the phrase "any crab fishery in 1998 or 1999" refers only to crab fisheries included in the IFQ program.** In addition, staff notes that the requirement to process crab in 1998 or 1999 may exclude processors that processed crab for fisheries that were closed in 1998 and 1999 and may exclude processors that were open in earlier years when abundance levels were higher.

Paragraph 2.3 of Attachment 1 defines several options for processing history qualifying years to be used to determine the initial distribution of PQs. In all cases, the identity of the processor will be the buyer of record listed on the ADF&G fish tickets. That is, in cases where crab was purchased by one processor but custom processed by another processor, the buyer of record would get credit for the processing history. Four options are proposed for qualifying years: (1) the most recent three years that each fishery was open up through year-end 1999, (2) processing history for each crab fishery during 1990-1999 with a suboption for the best 8 of 10 years, (3) processing history for each crab fishery during 1995-1999 with a suboption for the best 4 of 5 years, and (4) qualifying years that match those used for harvesting QS on a fishery-by-fishery basis. Option 1 was recommended by the Crab Rationalization Committee while Options 2-4 were recommended for inclusion by the AP during the April meeting. Staff notes the following regarding these proposed options:

- Using the three most recent years (through 1999) for each fishery (Option 1) is more likely to result in a distribution of processing quota shares that reflects the status quo;
- The further back the qualifying period extends, the more likely the distribution will be impacted by processors that no longer exist. Furthermore, processors that have left the industry may have already been compensated via the sale of their assets.
- Options 2 and 3 use the same years for all crab fisheries under consideration and do not take into account years each fishery was closed. Option 4 (same years as years used for analysis of harvesting QS distribution) is more tailored to each fishery.
- The bulk of the analytical task involves development of a clean data set for each year under consideration. Thus, analysis of 1990-1999 requires data for 10 years while 1995-1999 requires data for only five years.
- There is a lot of overlap between options 2 and 3 and option 4. Since option 4 relies on the same data set that would be needed for analysis of the harvester QS distribution, it may make sense to analyze only option 4 instead of options 2 and 3.

Thus, the relative effort required to analyze the proposed options may be ranked as follows (in order of least to most effort):

Option 1 (least effort) < Options 1 & 3 < Options 1 & 2 < Options 1 & 4
< Options 1, 2 & 3 < Options 1, 2, 3 & 4 (most effort).

In order to streamline the analysis, staff suggests retaining Options 1 and 4 or any of the combinations of options requiring less effort (i.e., Option 1, Options 1 & 3, or Options 1 & 2).

In addition, during the April meeting, the AP recommended including a suboption to drop any species from the processing share program. **Staff notes that this suboption may require a significant amount of analytical effort.** For example, it may be necessary to look at all scenarios where one species is dropped, all scenarios where two species are dropped, all scenarios where three species are dropped, etc. **Staff also notes that the intent of this suboption is not clear**; is the intent to allow exclusion of any crab fishery from the entire IFQ program or just from the processing share portion of the program? Or, is the intent to allow exclusion of some of the crab fisheries as a means to enhance price competition for fisheries included in the processing share program? **In order to streamline the analytical task, staff recommends dropping this suboption or revising this suboption by either (1) identifying specific fisheries to be excluded from the processing quota share program, or (2) stating the specific number of fisheries rather than allowing "any" crab fishery to be excluded.**

Ownership and Use Caps (Paragraph 2.7 of Attachment 1): Options for caps on ownership of processing quota shares and use at a single facility are provided in paragraphs 2.7.1 and 2.7.2 of Attachment 1, respectively. Ownership caps provide a means of controlling consolidation in the processing sector but could limit the ability of a processor to achieve desired economies of scale. While ownership caps determine the minimum number of processing entities (corporations or partnerships), facility use caps determine the number of processing facilities. For example, an ownership cap of 10% would result in at least 10 processing *entities* while a facility use cap of 20% would result in at least 5 processing *plants.*

Regarding the proposed options, staff seeks clarification on whether the proposed ownership caps would apply (1) to the processor corporation or partnership as a whole, or (2) to the owners and part owners of the corporation or partnership on an individual and collective basis. For harvester quota shares, the caps apply individually and collectively to the owners of the corporation rather than to the corporation itself. Note that for the sablefish/halibut IFQ program, public corporations are exempt from the ownership cap requirements since the corporation is owned by the shareholders of the company's stock. If the intent is for the ownership caps for processors to function in the same manner as the ownership caps for harvesters, then ownership and part ownership information will be required for the analysis. Otherwise, it will not be possible to estimate the distribution of processing quota shares at the time of initial issuance or determine the range (average to maximum) of percentage ownership. **In addition, while it may be possible to estimate the maximum percentage ownership, it may not be possible to report the actual maximum percentage in the analysis due to confidentiality concerns.**

F. Analytical Issues for Options that Define Interaction of Harvester and Processor Components

There are a number of proposed options and provisions that define the interaction of the harvester and processor components under a two-pie IFQ program as follows (see paragraphs 2.4, 2.5 and 2.8 of Attachment 1):

2.4	Percentage of season's GHL issued as individual processing quota (IPQs)
2.5	Implementation of the open access processing portion of each fishery
2.8.2	Penalties
2.8.3	Non-governmental, binding arbitration
2.8.4	Roll-over provisions

All of these provisions have implications for the balance of market power between harvesters and processors and the degree of price competition . Analytical issues associated with each are discussed next.

Percentage of season's GHL issued as IPQs (Paragraphs 2.4.1 and 2.4.2 of Attachment 1): Two different approaches for issuing IPQs are proposed: (1) issue IPQs on a percentage ranging from 0%-100% of the season's GHL (options under paragraph 2.4.1), and (2) issue IPOs on a percentage above 100% of the GHL (options under paragraph 2.4.2). **These two approaches have fundamentally different implications for how the two-pie IFQ program would work and represent two alternative IFQ programs rather than a simple expansion of the percentage range.** In addition, the 0% option corresponds to an IFQ program with no processing shares or a one-pie IFQ program.

Under the first approach, IPQs would be issued on a percentage of the season's GHL ranging from 0% to 100%. To understand how this approach would work, consider an example whereby IPQs are issued on 80% of the GHL. This means that 80% of the GHL harvested by harvesters holding IFQs must be delivered to processors that hold unused IPQs. The remaining 20% of the GHL may be delivered to any processor on an open-delivery basis. As proposed, allowing a percentage of the GHL to be delivered to any processor is intended to promote price competition among processors. At the extreme of 100% of the GHL, all crab harvested would be required to be delivered to processors holding IPQs. At the other extreme of 0%, harvesters would be able to deliver crab to any processor. While a lower percentage increases the portion of the fishery that is open delivery, it reduces the percentage of each processor's historical share that is guaranteed.

The second approach would issue IPQs on a percentage ranging from 105% to 130% of the GHL. In this case, the IPQs function as limits on expansion (e.g., excessive share caps) rather than as guarantees on a portion of a processor's historical market share. Since each processor would be allowed to process an amount in excess of its historical share but may not be guaranteed a minimum amount, this approach would promote competition among processors. On the other hand, depending on the percentage above 100%, consolidation would likely occur until the number of processors is reduced to a stable number. For example, a percentage set at 110% (allowing each processor to process an extra 10% per year) would support 10 processors while a percentage set at 130% would only support four processors.

Staff notes the following with respect to these two approaches:

- While both approaches may be considered two-pie IFQ programs, the significant differences in function and implications would require the analysis to treat the two approaches as two different IFQ models. Thus, inclusion of both approaches is equivalent to inclusion of two types of two-pie IFQ programs in the analysis.
- Existing literature on two-pie IFQ models considers only the first approach (IPQs based on 100% of the GHL or less) and treats processing quota shares as a guaranteed allocation of a percentage of the annual deliveries for processors. Consequently, past studies on the two-pie IFQ model may not be applicable to a two-pie model that issues IPQs based on percentages above 100%.
- The two approaches would value processing shares differently and, therefore, are likely to have very different implications for how the processing sector would decapitalize under a two-pie IFQ program. The analysis would need to explore this issue further.
- Other elements of the processing quota share program, including the initial allocation, transferability, and caps on ownership and use, would have different implications under the two approaches. As a result, inclusion of both approaches would likely double (and could more than double) the analytical task of analyzing the processing sector elements.

Thus, inclusion of both approaches would likely substantially increase the analytical task and may require an outside study to consider the economic implications. Each approach will have different implications, however, for the balance of market power between harvesters and processors and price competition which would need to be explored in the analysis.

Implementation of Open-Delivery Processing (Paragraph 2.5 of Attachment 1): In the case where IPQs are issued for a percentage of the GHL which is less than 100%, the remaining portion of the GHL may be delivered to any processor. Three options are proposed for implementation of the open-delivery portion of the fishery: (1) categorize catcher vessel QS into two delivery classes whereby Class A shares would require deliveries to processors holding unused IPQs and Class B shares would allow crab deliveries to any processor; (2) no separate categories for catcher vessel QS but require processors to count purchases against their IPQs first; and (3) no separate categories for catcher vessel QS but allow deliveries to any processor until the open-delivery portion of the fishery is closed.

The three options have different implications for the ability of harvesters and processors to negotiate a fair price and how the fishery is prosecuted. Thus, the analysis will need to address the implications for price negotiations, the timing of deliveries, the impact on deadloss and the extent that the benefits of rationalization are realized. For example, requiring that open deliveries to any processor be made at the end of the season (as in Option 2) or at the start of the season may result in a "race to process"for a portion of each fishery that counteracts some of the goals of rationalization.

Other Optional Provisions (Paragraph 2.8 of Attachment 1): Paragraph 2.8 of Attachment 1 outlines several options that have implications for the interaction between harvesters and processors including penalties (paragraph 2.8.2), private-sector binding arbitration (paragraph 2.8.3) and roll-over provisions (paragraph 2.8.4). A brief description of each is provided first, followed by staff comments.

> Penalties (Paragraph 2.8.2) - This provision would require processors to fully utilize all IPQs for the season or lose any unused amount the next season ("use it or lose it" penalty). Three options are proposed for distributing the unused IPQs: (1) distribute to other processors proportionally; (2) distributed to other processors equally; or (3) allocate to the open delivery portion of the fishery. The penalty applies for only one season. This provision would exempt processors that failed to fully use their IPQs for the season due to reasons of hardship.

It is staff's understanding that the purpose of these penalties is to discourage processors from refusing to process and thereby encourage their participation in price negotiations. **Staff notes that the Crab Rationalization Committee agreed to this option with the understanding that "use it or lose it" penalties may be required for both harvesters and processors.**

> Private Sector Binding Arbitration (Paragraph 2.8.3) - This paragraph requests the analysis to include a discussion of an option for using private-sector managed (non-governmental), binding arbitration process for failed price negotiations between fishermen and processors.

Based on information received from industry (e.g., the Alaska Crab Coalition), staff understands that this request is modeled after a negotiation process involving binding arbitration that was established in Newfoundland in response to a fishermen's strike in 1997 that resulted in significant economic losses for the crab industry that year. While the process involves a non-governmental, private arbitrator, the government

of Newfoundland established the process through legislative action and helps finance the process. The arbitration process requires each side to submit its best offer and the arbitrator picks one or the other. An outside independent market analysis is prepared to assist the arbitrator. Since the Newfoundland crab season lasts about six months, in-season adjustments based on market prices are made.

Staff notes that the binding arbitration process is another potential mechanism for ensuring price competition that may be an alternative to the approach proposed in paragraph 2.4 of Attachment 1 (issuing IPQs on a portion of the GHL that is <100% or >100%). Analysis of this process, however, may require some investigative research into the history of this process and conditions in the Canadian crab fisheries. Past studies of this process and other information may be available from Canada's Department of Fisheries and Oceans and from Newfoundland's Department of Fisheries and Aquaculture. **It is difficult for staff to assess the potential time, effort and level of detail that would be required in the analysis to determine the appropriateness or applicability of this process to the BSAI crab fisheries and the proposed rationalization program. While it may be possible for staff to include a brief discussion of this process based on readily available information, a more extensive analysis of this proposal may require contractor assistance.**

> Roll-over Provisions (Paragraph 2.8.4) - For IPQs issued for percentages of the GHL of 100% or less, this provision would allow processors to roll over 1%, 5% or 10% of their IPQs to the next season. This provision mirrors the roll-over provision for harvesters under paragraph 1.8.2.

It is staff's understanding that this provision is intended to allow processors to roll over a portion of their IPQs in order to enhance price negotiations between harvesters and processors. As with the harvester roll-over provisions, it is not clear whether this provision would function as intended if the GHL is not adjusted upward in the next season to account for roll-overs. If the GHL is established using normal procedures, roll-overs would simply dilute the value of all outstanding IPQs in the next season. **Therefore, staff recommends that this option (and the roll-over provisions for harvesters under paragraph 1.8.2) be eliminated.**

G. Analytical Issues Unique to Regionalization

Options to overlay regional delivery restrictions under either a one-pie (harvester-only) IFQ program or a two-pie IFQ program are outlined in paragraphs 3.1 to 3.4 of Attachment 1. Under regionalization, deliveries to processors would be restricted on a regional basis; the regional restrictions, however, would not restrict where crab could be harvested. It is staff's understanding that regionalization is intended to help preserve historical delivery patterns and thereby protect communities that may lose processing market share under a rationalized crab fishery. The options define the regions and the basis for categorizing harvesting quota shares and/or processing quota shares.

As a general comment, staff notes that the administrative record will need to state why other approaches to addressing community concerns (e.g., increased allocation to CDQ groups, tax increases, user fees, etc.) were not pursued. Furthermore, consideration of other approaches may be needed to satisfy NEPA requirements and the request from Congress.

Definition of Regions (Paragraph 3.1 of Attachment 1): The proposal would define two regions, a North Region (all areas on the Bering Sea north of 56° 20' N. Latitude) and a South Region (all areas south of 56° 20' N. Latitude). For example, the North Region would include processing facilities located in St. Paul, while the South Region would include processing facilities located in Dutch Harbor and Kodiak.

Because of the small number of processors operating in the North Region, staff would need processors with plants located in the North Region to waive confidentiality restrictions for purposes of the analysis. Furthermore, if regionalization results in only a few processing facilities in one region, management and reporting may be difficult due to confidentiality concerns. Another concern expressed to staff is that regionalization appears to provide protection mainly to communities and processors located in the Pribilofs and that this approach may not address impacts to other communities. On the other hand, staff received input from industry members representing both harvesters and processors who felt that processing plants located in the Pribilofs were most likely to be negatively impacted under rationalization that eliminates the race for fish since facilities located in the Pribilofs are most heavily used in years of high abundance when quick turnaround is needed.

The analysis will need to consider historical delivery patterns across crab fisheries in years of low abundance versus years of high abundance. In order to determine the implications of an IFQ program with and without regionalization, it will be necessary to assess potential changes in harvesting activity and the resulting impact on delivery patterns. The analysis will need to discuss the implications of regionalization under a one-pie and two-pie IFQ program for the main stakeholders including harvesters, processors and communities. The analysis will need to consider the impact on operating costs for both harvesters and processors versus tax revenue, employment opportunities and other secondary effects on communities. There may also be legal or constitutional issues associated with restricting deliveries by region that the analysis will need to discuss (see NOAA GC comment on "port preference clause" in Section B(3) of this discussion paper).

Time Periods Used to Determine Regional Percentages (Paragraph 3.2.1 of Attachment 1): Processing or harvesting quota shares will be categorized by region based on all historical landings (including deadloss) in each region during the qualifying period. Two options are proposed for qualifying years: (1) 1995-1999, and (2) 1997-1999. These options differ from the years used to determine the distribution of quota shares to harvesters (defined in paragraph 1.4.2) and years used for the distribution of quota shares to processors (defined in paragraph 2.3).

Staff notes that it may make sense to extend the time period back in order to analyze the historical delivery patterns in years of both low and high abundance. ADF&G suggested extending the period back to 1992 for purposes of the analysis.

Categorization of Harvesting QS by Region (Paragraph 3.2.2 of Attachment 1): Harvester QS categorized for a region would require the harvested crab to be delivered to and processed by a processor located in that region. It would not restrict where the crab could be harvested. (Note that staff has received clarification from a committee member that regionalization would apply only to catcher vessel QS and not to catcher processors.) Two options are proposed: (1) all catcher vessel QS will be categorized by region, or (2) only Class A shares will be categorized by region. The first option would restrict all deliveries (including deliveries made on an open-delivery basis under a two-pie IFQ system) while the second option would only restrict deliveries made to processors holding unused IPQs.

Staff notes that under a one-pie IFQ model with regionalization, catcher vessel QS would be categorized by region as proposed under Option 1. For a two-pie IFQ model with regionalization, it is not clear that it would be necessary to categorize both harvesting and processing shares, especially if no regional restrictions are imposed on deliveries made on an open-access basis.

Regional Restrictions for the Processing Sector (Paragraph 3.2.3 of Attachment 1): Under a two-pie IFQ program, two options are proposed: (1) categorize processing quota shares and IPQs by region; and (2) restrict deliveries made on an open-access basis by region. Crab purchased with IPQs categorized for a region must be processed within the designated region. Staff notes that in order to restrict deliveries made on an open-access basis, it may be necessary to categorize the Class B catcher vessel QS by region.

Assignment of Regional Designation (Paragraph 3.2.4 of Attachment 1): As proposed, once assigned to a region, processing and/or harvesting quota shares cannot be reassigned to a different region. Staff notes that this provision does not make allowances for hardship conditions (e.g., plant burns down). Furthermore, it appears that processing activity would be required to stay in a region even if the processor wanted to go out of business, automatically benefitting other processors in the region. **Staff suggests that this provision be amplified to specify conditions under which quota share could be re-assigned to a different region.**

Other Optional Provisions for Regionalization (Paragraph 3.4 of Attachment 1): This paragraph includes an option for the Pribilofs/Bering Sea Region for Federal subsidies for goods and services for the duration of the disaster. **Staff notes that this option is in conflict with the disaster provisions of the MSA, section 312(a). Since the MSA may need to be amended to implement this option, staff suggests that this option be dropped.**

Duration of Program (Paragraph 4.0 of Attachment 1): Three options are identified: (1) program review after 5 years; (2) program review after every 4 years to objectively measure success of program to address problem statement and MSA National Standards; and (3) no sunset. Staff notes that if there was a reasonable possibility that the program could sunset, many of the potential benefits of rationalization may be delayed since participants may be reluctant to decapitalize. **If the intent is to provide an opportunity for a periodic review to ensure the goals of the program are being met, staff suggests renaming this provision "Program Review" and eliminating the no sunset option since it would be implied that the program would not end unless the Council took a deliberate action to end the program.**

H. Other Issues for Analysis Recommended by the AP

In addition to analysis of the specific elements and options of the proposed IFQ program, the AP recommended that the analysis include a comprehensive qualitative and, where possible, quantitative consideration of 18 items (see items A - R starting on page 11 of Attachment 1). These 18 items may be grouped under the following issues:

- Vertical Integration (items A - D, G, H and K)
- Foreign Ownership (items E, F and M)
- Competitive Implications of Various Rationalization Models (items I, J, L and Q)
- Spillover effects on other Fisheries (item N)
- Effects of Purchases Made by Non-Eligible Processors (item O)
- Canadian Code of Conduct (item P)
- Conservation Implications (item R)

The analyses of the vertical integration and competitive implications of different rationalization models require some discussion and are addressed below. Staff has only a few comments on the other requests as follows:

Foreign Ownership - Analysis of the extent of current foreign ownership of processors and harvesters and restrictions on foreign ownership of harvesting quota shares requires information on foreign ownership. As discussed previously in the section on ownership information, staff analysis of this issue will rely on information provided by industry.

Spillover Effects - If the BSAI crab fisheries are rationalized, effort could increase in other fisheries including other Gulf of Alaska groundfish and crab fisheries. The analysis could show participation of BSAI crab fishermen in other fisheries and assess the potential impact of the proposed rationalization program.

Effects of Purchases Made by Non-Eligible Processors - The past activities of processors that would not be eligible to receive processing quota shares have an effect on the distribution of processing quota shares. The activities of ineligible processors will have more of an effect on the distribution the further back the qualifying period extends. These effects will be analyzed as part of the analysis of the options under paragraph 2.3 of Attachment 1 (i.e., options for qualifying years used to determine distribution of processing shares).

Canadian Code of Conduct - The Canadian Code of Conduct outlines a number of principles and guidelines for responsible fishing operations and fishery management policies. It is staff's understanding that the AP recommended that this item be included in the analysis as a model for conducting negotiations between harvesters and processors and vessel owners and operators. Based on a cursory review by staff of this document, it appears that the Canadian Code of Conduct is analogous to the National Standards included in the Magnuson-Stevens Act. **In order to analyze this item, staff would need additional clarification of the applicability of the Canadian Code of Conduct to the proposed rationalization program and more direction on what specific aspects of the Code should be considered in the analysis.**

Conservation Implications - Resource and conservation management problems are identified in the Problem Statement as one of the problems that the proposed rationalization program should address. The analysis will need to consider how the proposed rationalization program addresses conservation management problems, as well as the other problems outlined in the Problem Statement (i.e., bycatch/handling mortality and dead loss, excess harvesting capacity, lack of economic stability and safety issues).

Vertical Integration and Competitive Implications of Rationalization Models: A number of items on the AP's list are related to the degree of vertical integration of the industry and the implications of the proposed rationalization program on the competitive structure of the industry. Since the degree of vertical integration, i.e., processor ownership of harvesters and vice versa, has implications for the competitive structure of the industry and price negotiations between harvesters and processors, staff believes that these issues should be addressed in a consolidated manner in the analysis. Staff has a few brief comments on the requested items and several more significant comments regarding how these issues will be addressed in the analysis.

Items A-D identify the ownership information required to analyze the issue of vertical integration:

A. Processor ownership interest in BSAI crab harvesting vessels
B. Catcher vessel sector ownership interest in processors
C. Processor ownership interest in BSAI crab fishing history

D. Catcher vessel sector ownership interest in BSAI processing history

As previously discussed in the section on ownership information, staff will need to rely on ownership information provided by industry for the analysis. At a minimum, staff hopes to receive information on the current ownership of harvesting vessels and processing plants. Staff is less hopeful that it will receive sufficient information to allow determination of the ownership of fishing and/or processing *history*. If incomplete information on ownership of fishing/processing history is received, staff could proceed by assuming that the owner of the vessel or processing plant also owns the history associated with that vessel or plant.

Items G and H request that the analysis estimate the percentage of harvesting quota shares that may be issued to processors and the percentage of processing quota shares that may be issued to harvesters, respectively. Provided that staff receives the information identified in items A-D, the potential distribution of harvesting quota shares to processors and processing quota shares to harvesters can be estimated as part of the analysis of options pertaining to the initial allocation (options defined in paragraphs 1.4 and 2.3).

Items I - L and Q request the analysis to consider the impacts on competition of the various types of rationalization models:

Item I - Cumulative and combined impacts of processing quota shares and regionalization;
Item J - General economic and social impacts of processing quota shares and two-pie IFQ program;
Item K - Implications of vertical integration for two-pie IFQ program;
Item L - Impacts of processing quota shares on free markets, vigorous competition, price mechanisms, costs, distribution of rents and other competitive mechanisms in the harvesting and processing sectors;
Item Q - Conceptual discussion of co-ops and comparison to one-pie and two-pie IFQ models

Staff has several general comments concerning these items. First, staff has already indicated that the analysis will need to compare the various types of IFQ models, including harvester-only IFQ, harvester-only IFQ with regionalization, two-pie IFQ and two-pie with regionalization. Secondly, depending on how the Council decides to proceed with co-ops, the analysis could also compare co-ops to the various IFQ-type models under consideration. **This portion of the analysis could provide the basis for the "threshold" comparative analysis of the different approaches to rationalization requested by Congress.** Thirdly, staff lacks detailed cost data that would allow quantitative analysis of the impacts on costs and distribution of rents. Instead, the potential impacts on costs and rent distribution will be discussed in a qualitative manner with an indication of the direction of the impacts where possible.

Analysis of Competition, Bargaining Power, and Vertical Integration in the Crab Fisheries: Several factors will affect the level of competition and bargaining power between harvesters and processors in the crab fishery. Existing conditions in the fisheries that must be considered include:

1) The number of vessels and number of processors in each fishery and the level of concentration of ownership of fishing quota shares (QS) and processing quota shares (PQs) in the fisheries;

2) Regional distribution of processors and PQs in each fishery;

3) Delivery patterns of harvests to processors by vessels (to determine the extent of current flexibility in negotiations and delivery);

4) Depreciation, other tax considerations, and subsidies to vessel and processor owners;

5) Average harvests per trip;

6) The use of bargaining units composed of several harvesters to negotiate prices and the effects of these groups;

7) Bargaining patterns (e.g., the use of season long agreements v. negotiated prices for a single trip's harvest)

Aspects of the proposed alternatives and their operation in the fisheries that must also be considered include:

1) Common ownership of QS and PQs in the fisheries;
2) Common ownership of catcher vessel QS and catcher processor QS;

In addition, the effects of different program provisions that must be analyzed include:

1. The issuance of two classes of harvester individual fishing quotas (IFQ)
   (a) Class A shares that require delivery to a processor holding individual processing quotas (IPQ)
   (b) Class B shares (open access shares) that permit delivery to any processor and do not require IPQ holdings
2. The issuance of more IFQs than IPQs permitting IFQ holders to deliver a portion of their harvests to processors (before or after) delivery of harvests to processors holding IPQs
3. The issuance of fewer IFQs than IPQs permitting IPQ holders who wish to increase outputs to bid for a larger share of harvests
4. Ownership and use caps, grandfathering, rollovers, and other program provisions affecting concentration of ownership and transfer of QS and PQs;

Lastly, alternatives to the program, including for example cooperatives, need to be considered to some extent in the analysis.

Analytical Approach 1. This analysis will use the analysis of the existing conditions and the program provisions in each alternative (including the initial allocation provisions and ownership and use caps) to determine the concentration of ownership of QS and PQs, the regional distribution of processors and PQs in each fishery. The analysis will also use the findings of the analysis of concentration of ownership and ownership data to determine a) the level of common ownership of QS and PQs, and b) the level of common ownership of catcher vessel QS and catcher processor QS. Although much of this information and data used for this analysis will also be used in other sections of the analysis, additional organization will be required for this analysis.

Vertical integration in the fisheries (common ownership of QS and PQs) can be analyzed with a qualitative discussion of the ownership information and the potential for consolidation of interests under the proposed program.

The concentration of ownership and ownership data can be analyzed qualitatively to determine the bargaining power, the distribution of ownership interests likely to be created in the fisheries. The analysis of competition, however, will consider other factors that can affect bargaining strength. The tendency of harvesters to use bargaining units and the effectiveness of these units under the different alternatives must be examined. Delivery patterns should be examined to determine the extent to which harvesters determine the processor

to which they deliver based on price negotiations. In addition, negotiating strength will depend in part on the ability of harvesters to negotiate delivery of a trip's worth of fish. For example, bargaining strength of harvesters may be diminished if open access shares are issued in quantities of less than a trip's worth of harvests. Consequently, the analysis will also require data concerning the average harvests per trip in each fishery.

Tax and subsidy information will also affect bargaining power, as purchase and sale decisions may be affected by obligations to pay for capital (such as vessel payments and processor loan payments) may affect willingness or ability to negotiate for a better price. Information on taxes and subsidies may be difficult to obtain from the owners of vessels and processors. This analysis can be accomplished with a qualitative discussion but will require cooperation of vessel and processor owners to provide meaningful information in the analysis.

A thorough analysis of competitive implications of the programs will ideally include a comparison with the management alternative for cooperatives (because it's the closest example we have currently of a system explicitly linking harvesters to processors). The cooperative program alternative must be well defined (including the distribution of interests in the fisheries among processors and harvesters) to accomplish this analysis. **Defining the cooperative program and developing data for the analysis of cooperatives will require substantial time if not accomplished for other portions of the analysis.**

Assuming the existing conditions analysis and the analysis of ownership has developed the data requirements for this analysis, the analysis of competitive implications and vertical integration will take an additional 3 to 4 weeks. Program definition and data organization for analyzing the cooperative alternative will take an additional 4 to 5 weeks, if those tasks have not been accomplished for other sections of the analysis.

Data requirements and analytical difficulties. This analysis will require catch and landings data and ownership for all vessels and processors active in each of the crab fisheries. Determining ownership will be complicated by corporate ownership of vessels. **Cooperation of owners will be required to determine the actual level of concentration of ownership of vessels, processors, QS, and PQs. In the absence of cooperation of owners, the analysis of vertical integration will not be possible and the analysis of competition will be very limited.** Cooperation of vessel and processor owners will also be required to analyze the effects of taxes and subsidies on bargaining power.

Analytical Approach 2. Perform an extensive supplemental review of economic literature concerning bargaining power in fisheries (including the Matulich articles and Halvorsen discussion paper) and other industries (including agriculture and energy). This literature review will supplement the basic analysis outlined above. This analysis will take 2 to 3 weeks.

Analytical Approach 3 (Optional). Perform an extensive theoretical (and possibly empirical) analysis of specific program elements. This research would be more academic in nature and would focus on the development of theoretical models applicable to the program elements that have received little or no attention in the current literature. Issues that could be analyzed include the effects on bargaining power of issuing Class A and Class B IFQs and the effects on bargaining power of issuing more IPQs than IFQs. This analysis would be best performed by an outside consultant and would require 6 months to 1 year after contracting the consultant.

I. Summary of Analytical Time Requirements and Staff Recommendations

Analytical Time Requirements: As discussed earlier, there are roughly 12 calendar weeks to complete the analysis with 2-3 weeks of that time required to complete all other sections of the document (NEPA, Reg Flex, etc.) except the background chapter on existing conditions (Chapter 2) and the analysis of the alternatives (Chapter 3). That leaves about 9-10 calendar weeks of available time to complete Chapters 2 and 3.

The chapter on the existing conditions in the BSAI crab fisheries (Chapter 2) may require substantially more than the two weeks allotted (e.g., up to 10 weeks) for its preparation. The work for this chapter would provide all information and the foundation for the analysis of the alternatives in Chapter 3. Not only does this chapter need to show historical harvesting and processing patterns for each fishery, it also needs to provide ownership and cross-ownership information. In addition, this chapter would need to provide information on how prices are determined under existing conditions and the current relationships between harvesters and processors. Finally, this chapter needs to provide all background information on the communities that participate in the crab fisheries, including social and economic conditions, landing patterns, population (full-time and seasonal), employment and tax revenues.

Staff estimates that, once the information and chapter on the existing conditions of the BSAI crab fisheries is prepared, the time required to complete the analysis of the alternatives is approximately 26 weeks if all proposed options are included. **The estimated time requirements include staff time required to interact and coordinate efforts with other agencies (NMFS and ADF&G), manage any contractor studies and perform the required analyses.** The largest gap between time required and time available is for the section comparing the rationalization models; staff estimates that this section would require 6-8 weeks to complete versus only 1.5 weeks available. There are also large gaps between time required versus time available for the sections that analyze options for the interactions between harvesters and processors, the harvester sector options and the processor sector options.

Time Savings if Some Options are Dropped: It may be possible to reduce the analytical time requirements by two weeks or more if the following options are dropped:

- Options to single category of brown king crab shares and to exclude brown king crab
  - 1.3.1.1 Options 1 and 3
- Options intended to mirror buy-back program:
  - 1.4.2.2 Bristol Bay red king crab - Option 2. 1993 - 1999
  - 1.4.2.3 Bairdi - Option 1. 1992 - 1996
  - 1.4.2.4 Pribilofs red king crab - Option 2. 1994 - 1998
  - 1.4.2.5 Pribilofs blue king crab - Option 2. 1994 - 1998
  - 1.4.2.6 St. Matthew blue king crab - Option 2. 1994 - 1998
  - 1.4.2.7 Brown king crab - Option 3. 1995 - 1999
- Option to guarantee traditional skipper/crew share with no sunset:
  - 1.8.1 Option 3
- Options to allow harvesters to roll over a portion of their annual IFQs:
  - 1.8.2 Options 1-3
- Option for AFA vessels if buy-back occurs without rationalization
  - 1.8.3 Option 2
- Options for years used for distribution of processing quota shares

2.3 Options 2, 3

< Suboption to allow any crab species to be dropped from processor share program

2.3 Option 1 - Suboption

< Options to allow processors to roll over a portion of their annual IPQs:

2.8.4 Options 1-3

< Option for Federal subsidies to Pribilofs for duration of disaster

3.4 Option 1

Portions of Analysis Requiring Contractor Help: Staff estimates that about six or more weeks of work may be contracted out as follows:

< Analysis of Issuing IPQs for Percentage of GHL > 100%
< Private sector binding arbitration used in Newfoundland
< Competitive implications of all rationalization models

Other Ways to Streamline the Analysis: By dropping some options and contracting out portions of the analysis, the time required to complete the analysis may be reduced somewhat. Staff estimates that there may still be a large gap between the time available and the remaining time required. Thus, in order to complete a preliminary draft of the analysis by October, additional Council staff and input from NMFS and ADF&G will be needed and/or contracting assistance. In addition, other ways to streamline the analysis include the following:

1. Narrow the choice of rationalization models (for example, only one two-pie IFQ model, only a harvester-only IFQ model, no co-op or a limited co-op alternative, etc.)
2. Only include a few of the crab fisheries (e.g., opilio and king crab)
3. Clarify intent to grant QS to owners of certified vessels
4. Further reduce options for qualifying years (effort expands for each year analyzed)
5. Only consider one approach to crew shares

As discussed earlier, staff recommends preparing the analysis for Congress as a part of the analysis for Council action and believes that separating the two analyses will increase the workload overall. Staff also does not believe that limiting the program to a few of the crab fisheries will reduce the workload substantially. Regarding suggestion 5, considering only one approach to crew shares would reduce the analytical effort by 1-2 days at most. Therefore, staff believes that suggestions 1, 3 and 4 are most likely to streamline the analysis to the greatest degree. These are discussed next.

Narrow the choice of rationalization models: While the appropriations bill requested the Council to "analyze individual fishing quotas, processor quotas, cooperatives, and quotas held by communities," this does not necessarily imply that an explicit alternative for a cooperative program is needed. It may be possible to develop a comparative analysis that considers the key *design features* of each type of model. This is different than the analysis of an alternative that defines specific elements and options for a cooperative program. Staff also notes that the option to issue processors IPQs based on GHL percentages > 100% represents an entirely different two-pie ITQ model from the two-pie model developed in previous studies. To the extent that the choice of models to consider can be narrowed, the analysis may be streamlined significantly, perhaps by as much as a month per model.

Clarify intent to grant QS to owners of certified vessels: As discussed earlier, staff requests the Council to clarify the basis for issuing QS and to whom the QS should be issued. Specifically, should the QS issuance be based on the catch history of the certified vessel owned by the LLP holder or should the issuance be based on the catch histories from which the holder's LLP license was derived? Also, in cases when the owner of the certified vessel and the holder of the LLP license are not the same persons, to whom should the QS be granted? Staff believes that granting QS to the owner of the certified vessel based on the catch history that gave rise to that vessel's certification would greatly simplify the analysis and the implementation of the proposed IFQ program. Otherwise, staff would need to reconstruct the catch histories from which each LLP license was derived.

Further reduce options for qualifying years: Staff has already made several suggestions for dropping some of the options for qualifying years for both the harvesters and processors. As discussed earlier, the effort required is directly proportional to the number of years of data needed. Thus, options for years 1990-'99 requires 10 years of data while options for years 1995-'99 requires 5 years of data (and half the effort). Staff notes that the further back the qualifying period extends, the larger the impact will be from past participants (harvesters or processors) that have left the fishery. In addition, NOAA GC has emphasized the importance of not using "stale" qualification criteria that could result in the granting of QS to persons no longer participating and excluding more recent entrants. Thus, the analysis could be streamlined by using a more recent qualification period and by reducing the number of options and suboptions (e.g., suboptions like best 8 of 10 years, etc.).

In spite of these suggestions, staff believes that a substantial portion of the effort required to complete the analysis arises from the inherent complexity of the three-component IFQ model, the number of crab fisheries under consideration and the complexity of the issues involved. The most difficult aspect of the analysis will be the need to consider the implications of each rationalization model for the competitive structure of the industry and the implications on the primary stakeholders (harvesters, skipper/crew, processors and communities). In addition, there are important conservation, management, enforcement and safety issues that the analysis will need to address. Thus, staff believes that it may not be possible to significantly reduce the required analytical effort beyond what has been already suggested.

Proposed Elements and Options for Crab IFQ Program

(Based on AP Motion plus Additional Options Proposed by Council During April 2001 Meeting)

1. Harvesting Sector Elements

1.1 Crab fisheries included in program are those subject to the Federal FMP for BSAI,
Suboption: include closed and developing fisheries

1.2 Persons eligible to receive an initial allocation of QS must be:
(a) persons that have L.L.P. permits and endorsements for each crab species; and
(b) U.S. citizens, U.S. corporations or partnerships
Option 1. Eligible to document a U.S. fishing vessel
Option 2. 75% US ownership

1.3 Categories of QS/IFQs

1.3.1 Crab Fishery Categories - QS/IFQs will be assigned to one of the following crab fishery categories: Opilio, Bairdi, Bristol Bay red king crab, Pribilofs red king crab, Pribilofs blue king crab, St. Matthew blue king crab, Brown king crab or Adak red king crab.

1.3.1.1 Brown king crab options:
Option 1. A single category for all areas in catch history
Option 2. Split into two categories: Dutch Harbor brown king crab and Western Aleutian Islands brown king crab
Option 3. Do not include Aleutian Island Brown Crab

1.3.1.2 Adak red king crab options (*this fishery has been closed for several years*):
Option 1. Do not include Adak red king crab until it becomes a viable fishery again
Option 2. Include Adak red king crab in crab IFQ program

1.3.2 Harvesting sector categories - QS/IFQs will be assigned to one of the following harvesting sector categories:
(a) catcher vessel (CV), or
(b) catcher/processor (CP)

1.3.3 Processor delivery categories - QS/IFQs for the CV sector may be assigned to processor delivery categories if Processor quota shares (PQs) are included in the program. Several options for implementation exist as follows:

Option 1. No processor delivery categories (*processors may either accept deliveries on an open-access basis first or only accept open-access deliveries after their processing quota shares are utilized - see Processing Sector Elements.*)

Option 2. Two processor delivery categories (*options for the percentage split between class A/B shares for initially allocated QS appear under the Processing Sector Elements*):

(a) Class A - allow deliveries only to processors with unused IPQs
(b) Class B - allow deliveries to any processor

1.3.4 Regional Categories - QS/IFQs for the CV and C/P sectors may be assigned to regional categories if Regionalization is included in the program. Two regions would be defined as follows (*see Regionalization Elements for more detailed description of regions*):
(a) North Region - All areas on the Bering Sea north of 56° 20' N. Latitude.
(b) South Region - All areas south of 56° 20' N. Latitude

1.4 Initial allocation of QS

1.4.1 Calculation of initial QS distribution will be based on legal landings excluding deadloss.
The intent of the AP is that the denominator used to determine the distribution of QS would be the sum of the histories of vessels qualified under Amendment 10. The AP notes that some vessels qualified under Amendment 10 are replacement vessels and recommend an option that the replaced vessels' history would flow to the replacement vessel.

1.4.2 Qualifying Periods for Determination of the QS Distribution:

1.4.2.1 Opilio
Option 1. 1990 - 1999
(a) All years
(b) Best 7 years
Option 2. 1992 - 1999
(b) All years
(c) Best 5 years
Option 3. 1995 - 1999
(a) All years ~~(consistent with buyback program)~~
(b) Best 3 years

1.4.2.2 Bristol Bay red king crab
Option 1. 1990 - 1999
(a) All years
(b) Best 7 years
Option 2. 1993 - 1999 ~~(consistent with buyback program)~~
Option 3. 1992 - 1999
(a) All years
(b) Best 5 years
Option 4. 1995 - 1999
1. All years
2. Best 3 years

1.4.2.3 Bairdi
Option 1. 1992 - 1996 ~~(consistent with buyback program)~~
Option 2. 1994 - 1996
Option 3. 1990 - 1997

1.4.2.4 Pribilofs red king crab
Option 1. 1993 - 1998
Option 2. 1994 - 1998 ~~(consistent with buyback program)~~
Option 3. 1996 - 1998

1.4.2.5 Pribilofs blue king crab
Option 1. 1993 - 1998
Option 2. 1994 - 1998 ~~(consistent with buyback program)~~
Option 3. 1996 - 1998

1.4.2.6 St. Matthew blue king crab
Option 1. 1993 - 1998
Option 2. 1994 - 1998 ~~(consistent with buyback program)~~
Option 3. 1996 - 1998

1.4.2.7 Brown king crab (based on calendar years ending 12/31)
(*Options apply to both Dutch Harbor and western Aleutian Island brown king crab)*
Option 1. 1990 - 1999
Option 2. 1992 - 2000
Option 3. 1995 - 1999 ~~(consistent with buyback program)~~
Option 4. 1995 - 2000

Suboption: award each initial recipient 50/50 Dutch Harbor/western Aleutian Island brown king crab QS instead of according to historical participation in each region.

1.4.2.8 Adak Red King Crab
Option 1. 1992 - 1995
Option 2. Define qualifying years in separate amendment if fishery reopens

1.5 Annual allocation of IFQs:

1.5.1 Basis for calculating IFQs:
Option 1. GHL
Option 2. Convert GHL to TACs and use TAC as the basis.

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.1 Persons eligible to receive QS/IFQs by transfer -

Option 1. **(a) All persons or entities eligible to document a U.S. fishing vessel are eligible to own or purchase harvest vessel QS and IFQs**
(b) Persons or entities with 75% ownership

Option 2. **Initial recipients of harvesting quota share**

Option 3. **US citizens who have had at least**
a. 30 days of sea time
b. 150 days of sea time
c. 365 days of sea time

Option 4. **Entities that have a US citizen with 20% or more ownership with at least**
a. 30 days of sea time
b. 150 days of sea time
c. 365 days of sea time

1.6.2 Leasing of QS (Leasing is equivalent to the sale of IFQs without the accompanying QS.)
Option 1. Leasing QS is allowed with no restrictions
Option 2. Leasing QS is not allowed

1.6.3 **Separate and distinct** QS Ownership Caps - apply to all **harvesting** QS categories pertaining to a given crab fishery with the following provisions:

(a) initial issuees that exceed the ownership cap would be grandfathered;

(b) apply individually and collectively to all QS holders in each crab fishery;

(c) percentage-cap options for the Bristol Bay red king crab, Opilio, Bairdi, Pribilofs red king crab, Pribilofs blue king crab and St. Matthew blue king crab fisheries (*a different percentage cap may be chosen for each fishery*):
Option 1. 3% of the total QS pool for the fishery
Option 2. 5% of the total QS pool for the fishery
Option 3. 8% of the total QS pool for the fishery

(d) percentage-cap ranging from 30%-40% for the Dutch Harbor and western Aleutian Island brown king crab (*a different percentage cap may be chosen for each fishery or may be applied to the combined fisheries if not categorized separately*).

(e) percentage-cap ranging from 20%-30% for Adak red king crab (if QS for this fishery are issued)

Suboption (c, d, and e) would analyze a range of QS caps for each species bounded by the average QS held and the maximum QS holding at the time of initial issuance with grandfather provision.

1.6.4 Controls on vertical integration (ownership of harvester QS by processors):

Option 1. ***No controls***
Option 2. ***Allow purchases up to a cap of 1%, 5% or 10%***

1.7 Use of IFQs:

1.7.1 Use by harvesting sectors - IFQs must be used in accordance with the privileges defined for the associated QS category. The following provisions also apply:

(a) CP-IFQs may be used on catcher vessels to harvest and process on board;

(b) CV-IFQs may be used on catcher/processors for harvesting but must be delivered to another processor unless sufficient processing quota shares are also held;

(c) Processing quota shares may be used on catcher/processors to process crab harvested with CV-IFQs (whether by itself or another catcher vessel).

(d) Initial recipients of CP quota shares that also receive CV quota shares shall be able to convert, at the time of issuance, their initial issuance of CV quota shares to CP quota shares.

Suboption: Owners of CP quota shares cannot purchase additional CV quota shares

The following amendment failed 7/10

Divestiture:

1. An initial recipient of CV and CP quota share is required to divest quota shares in excess of the cap amount in:

Option 1. ***Five years after initial issuance***
Option 2. ***Ten years after initial issuance***
Option 3. ***Twenty years after initial issuance***

2. A initial recipient of IPQ quota shares is required to divest any CV or CP quota shares in:

Option 1. ***Three years after initial issuance***
Option 2. ***Five years after initial issuance***
Option 3. ***Ten years after initial issuance***

3. An initial recipient of QS is required to divest any IPQ QS in:

Option 1. ***Three years after initial issuance***
Option 2. ***Five years after initial issuance***
Option 3. ***Ten years after initial issuance***

1.7.2 Catch Accounting Under IFQs - All landings including deadloss will be counted against IFQs. Options for treatment of incidental catch are as follows:

Option 1. No discards of legal crab will be allowed, and sufficient IFQs for legal crab must be available.

Option 2. No discards of "marketable" crab will be allowed for opilio crab and sufficient IFQs for "marketable" crab must be available. (Legal size for opilio is 3.1 inches, but the industry standard is 4 inches.)

Option 3. **No discards of opilio crab with a carapace of 4 inches or greater in width *(motion passed 10/7)***

Option 4. Discards of incidentally caught crab will be allowed. (*This option would allow, for example, incidental catch of Bairdi Crab in a Red King Crab fishery to be discarded without counting against Bairdi IFQs.*)

1.7.3 Use caps on IFQs harvested on any given vessel

Option 1. Range from average to highest of annual catch by vessel by species

Option 2. No use caps

1.8 Other Optional Provisions - the Committee included several other options for analysis as follows:

1.8.1 Options for skippers and crews:

Option 1. ***An initial allocation of 0, 10% or 20% of harvesting quota shares distributed equally to qualifying crew members***

Option 2. **First-right-of-refusal on transfers**

(a) **range of *0-20%* of harvesting QS would be designated as crew shares. Transfers of harvesting QS must include transfer of 10% crew shares for which there will be first right of refusal for eligible crew to buy.**

(b) **timeframe for first right of referral is 1-2 months**

(c) **Eligibility of U.S. citizens to purchase crew shares would be defined by a range of sea time of**

(a) **30 days of sea time**

(ii) **150 days of sea time**

(iii) **365 days of sea time**

Option 3. Protection of traditional and historical crew share percentages with no sunset.

Option 4. A low-interest rate loan program for skipper and crew purchases of QS would be established or made part of the existing loan program for IFQ purchases.

1.8.2 Rollover Provisions - Holders of CV and CP IFQ that is not fished in the season for which it is issued, may roll over a portion of their IFQ

Option 1. **1%**

Option 2. **3%**

Option 3. **5%**

1.8.3 Options for AFA vessels:

Option 1. AFA harvester sideboard caps on crab species shall be eliminated upon implementation.

Option 2. If crab buy-back program goes into effect without crab rationalization, modify AFA crab sideboards to permit AFA vessels to share proportionately in any increase in crab harvest opportunities that accrue to remaining crab vessels.

2. Processing Sector Elements

2.1 Eligible Processors - processors eligible to receive an initial allocation of processing quota shares (PQs) are defined as follows:
(a) U.S. Corporation or partnership (not individual facilities), and
(b) processed crab for any crab fishery in 1998 or 1999.

2.2 Categories of Processing Quota Shares

2.2.1 Crab fishery categories - processing quota shares will be issued for the following crab fisheries: Bristol Bay red king crab, Pribilof red king crab, Pribilof blue crab, St. Matthew blue crab, Opilio, Bairdi and brown king crab.

2.2.2 Regional categories - processing quota shares will be categorized into two regions if regionalization is adopted (*see Regionalization Elements for description of regions*):
(a) Northern Region - All areas on the Bering Sea north of 56° 20' N. Latitude
(b) Southern Region - All areas south of 56° 20' N. Latitude

2.3 Initial allocation of processing quota shares -

Option 1. Processing quota shares shall be initially issued to Eligible Processors based on three-year average processing history[2] for each fishery, determined by the buyer of record listed on ADF&G fish tickets, as follows:
(a) 1997 - 1999 for Bristol Bay red king crab
(b) 1996 - 1998 for Pribilof red king crab
(c) 1996 - 1998 for Pribilof blue crab
(d) 1996 - 1998 for St. Mathew blue crab
(e) 1997 - 1999 for opilio crab
(f) Bairdi crab based on 50/50 combination of processing history for BBRKC and opilio
(g) 1996/97, 1997/98 and 1998/99 for brown king crab

Suboption: The ability to drop any species from processing share program

Option 2. Processing quota shares shall be initially issued to eligible processors based on the years 1990-1999 processing history for each fishery, determined by the buyer of record listed on ADF&G fish tickets.

Suboption: Processor able to choose the best 8 of 10 years.

Option 3. Processing quota shares shall be initially issued to Eligible Processors based on the years 1995-1999 processing history for each fishery, determined by the buyer of record listed on ADF&G fish tickets.

Suboption: Processor able to choose the best 4 of 5 years.

[2]The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery.

Option 4. Same years as years for harvesting shares on fishery by fishery basis.

2.4 Percentage of season's GHL (or TAC) for which individual IPQs are distributed:

2.4.1 IPQs will be issued for a portion of the season's GHL (or TAC) for each species, to provide open access precessing as a means to enhance price competition.

Option 1 **100% GHL (or TAC) would be issued as IPQs**

Option 2 90% GHL (or TAC) would be issues as IPQs - the remaining 10% would be considered open access.

Option 3 80% of GHL (or TAC) would be issued as IPQs - the remaining 20% would be considered open access.

Option 4 **70% of GHL (or TAC) would be issued as IPQs - the remaining 30% would be considered open access.**

Option 5 ***0% - no processing shares***

A motion to include an option 5 for 50% of GHL (or TAC) would be issued as IPQs - the remaining 50% would be considered open access failed 3/10.

2.4.2 Annual distribution of individual processing quota (IPQs) will be issued as a percentage of the quota share pool as follows:

Option 1 **105% of processors proportional share of quota share pool would be issued as processor's IPQ.**

Option 2 **130% of processors proportional share of quota share pool would be issued as processor's IPQ.**

(Motion passed 10-5)

2.5 Implementation of the open access processing portion of the fishery (three options):

Option 1. Catcher vessel QS/IFQs are categorized into Class A and Class B shares. Purchases of crab caught with Class A shares would count against IPQs while purchases of crab caught with Class B shares would not. Crab caught with Class B shares may be purchased by any processor on an open-access basis.

Option 2. No separate A/B categories for catcher vessel QS/IFQs. Deliveries to processors holding processor quota shares will count against their IPQs first. When its IPQs are fully utilized, a processor may take additional deliveries until the open access portion of the fishery is closed. Open access processors may purchase crab until the open access portion of the fishery is closed.

Option 3. No separate A/B categories for catcher vessel QS/IFQs. Initially, all processors may purchase crab on an open-access basis until the open access portion of the fishery is closed. Then, any remaining crab may be purchased by processors with unutilized IPQs.

2.6 Transferability of processing shares - provisions for transferability include the following:

1. Processing quota shares and IPQs would be freely transferable, including leasing
2. IPQs may be used by any facility of the Eligible Processor (without transferring or leasing)

3. Processing quota shares and IPQs categorized for one region cannot be transferred to a processor for use in a different region.

2.7 Ownership and use caps - different percentage caps may be chosen for each fishery:

2.7.1 Ownership caps -

Option 1. based on maximum share for processors by fishery plus a percentage of 5%, 10% or 15%.

Option 2 Ownership cap equal to largest share issued to processor at initial issuance.

Option 3 A range of caps from average to maximum with grandfather clauses

2.7.2 Use caps -

Option 1 Annual use caps ranging from 30% -50% of the GHL (or TAC) by fishery.

Option 2 Annual use caps equal to a range of 125% to 200% of the amount of IPQ quota shareholder received at initial issuance

Option 3 Annual use caps of quota share equal to the largest IPQ quota share holder in the specific fishery.

2.8 Other Optional Provisions

2.8.1 The crab processing caps enacted by Section 211(c)(2(A) of the AFA would be terminated.

2.8.2 Penalties - Eligible Processors must fully utilize their processing quota shares in the season while a fishery is open or lose the amount that is not utilized in the next season.

(a) Unused quota

Option 1. Distributed to other processors proportionally

Option 2. Distribute to other processors equally

Option 3. Allocate to open access

(b) Hardship provisions

2.8.3 Incorporate in the analysis (through a brief discussion paper) an option for use of a private sector managed (non-governmental), binding arbitration process, for failed price negotiations, between fishermen and processors.

2.8.4 For IPQs allocated under 2.4.1, the holders of IPQs that are not processed in the season for which they are issued may roll over a portion of their IPQ.

Option 1. 1%

Option 2. 5%

Option 3. 10%

3. Regionalization Elements

3.1 Two regions are proposed:

1. Northern Region - All areas on the Bering Sea north of 56° 20' N. Latitude. *(This region includes the Pribilof islands and all other Bering Sea Islands lying to the north. The region also includes all communities on Bristol Bay including Port Heiden, but excludes Port Moller and all communities lying westward of Port Moller.)*

2. Southern Region - All areas south of 56° 20' N. Latitude *(This region includes all parts of the Alaska Peninsula westward of and including Port Moller. All of the Aleutian Islands are included in the South Region as are all ports and communities on the Gulf of Alaska.)*

3.2 Regional categorization of processing and/or harvesting quota shares -

3.2.1 Categorization will be based on all historical landings. Periods used to determine regional percentages are as follows (two options):
Option 1. 1995 - 1999
Option 2. 1997 - 1999

3.2.2 Options for the harvesting sector:
Option 1. C/P and all CV quota shares are categorized by region
Option 2. C/P and only Class A CV quota shares are categorized by region

3.2.3 Options for the processor sector:
Option 1. Processing quota shares and IPQs are categorized by region
Option 2. Regional restrictions apply to deliveries made on open access basis *(Note that it may not be possible to enforce this option if the catcher vessel Class B shares are not categorized by region.)*

3.2.4 Once assigned to a region, processing and/or harvesting quota shares cannot be reassigned to a different region.

3.3 Delivery and processing restrictions - the following provisions apply to the delivery and processing of crab with IFQs or IPQs that are categorized by region:

1. Crab harvested with catcher vessel IFQs categorized for a region must be delivered for processing within the designated region
2. Crab purchased with IPQs categorized for a region must be processed within the designated region.

3.4 Other optional provisions of Regionalization:

Option 1. Pribilof/Bering Sea Region (Federal) subsidies for goods and services for the duration of the disaster

4. Duration of program
The following options apply to all program elements:

Option 1. Program review after 5 years
Option 2. Program review every 4 years to objectively measure the success of the program by addressing concerns identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards
Option 3. No sunset
(Motion passed 12-5)

Further, the AP recommends that the Analysis include, to the extent possible, a comprehensive qualitative, and where possible, quantitative consideration and examination of the following:

A. Processor ownership interest in BSAI crab harvesting vessels,
B. CV ownership interest in processors
C. Processor ownership interest in BSAI crab fishing history,
D. CV ownership interst in BSAI processing history
E. Foreign ownership interest in the BSAI crab processing sector,
F. Foreign ownership in the BSAI crab harvesting sector
G. The percentage of Harvester IFQs (IFQs) that will be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab harvesting vessels and BSAI crab fishing history.
H. The percentage of processor IPQs that will be allocated to the harvesting sector as a result of harvesting sector ownership interests in the BSAI crab processing sector and BSAI crab processing sector history including CPs.
I. The anti-competitive impacts and economic barriers that may result from the cumulative and combined impacts of Individual Processing Quotas (IPQs) coupled with Regionalization. For example: are the combined impacts and barriers of IPQs and Regionalization different than the individual and respective impacts of IPQs or Regionalization, and if so, to what extent,
J. The general economic and social impacts, and the impacts on free and open competition and markets of IPQs, including the Halverson Report, and Matulich report on 2-pie IFQ program.
K. The impacts of IPQs on free markets and vigorous competition in the BSAI crab industry that may result from, 1) processor sector ownership interest in BSAI crab harvesting vessels, 2) processor sector ownership interest in BSAI crab fishing history, and 3) the percentage of Harvester IFQs that may be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab vessels and BSAI crab fishing history,
L. The general impacts of IPQs on free markets and vigorous competition, price mechanisms, costs, distribution of rents, and other competitive mechanisms:
(1) in the BSAI crab processor sector
(2) in the BSAI crab harvester sector.
(3) in the BSAI crab industry,
(4) in the non-AFA processor sector,
(5) in the Kodiak processor sector,
(6) in the BSAI and GOA fishing industry,
(7) that may result from mergers, acquisitions, combinations and concentrations in the processing sector,
(8) that may result from foreign ownership interest in the processing sector,
M. Restrictions of ownership of Harvester IFQs by processing entities that have more than 25% of foreign ownership interest.

N. Spillover effects on other fisheries
O. Include a discussion of the percent of GHL purchased by non-elegible processors on an annual basis and this effect on the final QS pool
P. Include a discussion on the Canadian Code of Conduct and its ability to address concerns that option 1 of section 1.8.1 is intended to address.
Q. Include a conceptual discussion on how co-op managment might work in the harvesting and processing sectors and a comparison of IFQs/IPQs, to co-ops including the Dooley-Hall co-op structure in addressing the problem statement.
R. Conservation benefits and other implications of each component of the program (IFQ, IPQ, Regionalization Co-ops). It is anticipated that analysis of these issues may be presented in a consolidated section in the EA/RIR.
(Motion passed 10-6)

Format for Ownership Information
Submitted by Industry for BSAI Crab Rationalization Analysis

During the Crab Rationalization Committee meetings held on February 15-16 and March 22-23, 2001, industry representatives agreed to provide the North Pacific Fishery Management Council (NPFMC) staff with certain ownership information for the analysis of the proposed rationalization alternatives. In order to streamline the collection and preparation of the data, NPFMC staff requests that the ownership information be provided in a consistent format. This attachment provides two sample formats, one for major owners (A) and another for minor owners (B), which indicate the types of information needed. **NPFMC staff requests that industry provide the needed information in the suggested format by August 1, 2001. Incomplete information will delay staff's ability to complete the analysis or will result in an incomplete analysis.**

The ownership information required is summarized below:

A. Ownership information from "Major Owners"
1. Vessel identification information
2. Documented owner name/company
3. Documented owner phone/fax number, e-mail
4. Is the documented owner an individual, partnership, S Corp. or C. Corp.
5. For company, State and Business License Number
6. For company, information on person or company with largest percentage ownership
7. For companies, information on all owners with 5% or greater percentage ownership
8. Information on owners if > 10 owners with 5% or greater percentage ownership
9. Does the documented owner have > 5% ownership in another BSAI crab fishing vessel?
10. If answer to 9 is yes, identify all other vessels that documented owner has > 5% ownership
11. Does the documented owner have ownership interests in BSAI crab processing facilities?
12. If answer to 11 is yes, identify all facilities that documented owner has > 5% ownership
13. Does the documented owner control or own crab fishing or processing history?
14. Comments

B. Ownership information from "Minor Owners" (those with at least 5% ownership of a BSAI crab vessel)
1. Vessel identification information and percentage ownership
2. Minor owner name/company
3. Minor owner phone/fax number, e-mail
4. Is the minor owner an individual, partnership, S Corp., C. Corp. or Subsidiary
5. For company, State and Business License Number
6. For company, information on person or company with largest percentage ownership
7. For companies, information on all owners with 5% or greater percentage ownership
8. Information on owners if > 10 owners with 5% or greater percentage ownership
9. Does the documented owner have > 5% ownership in another BSAI crab fishing vessel?
10. If answer to 9 is yes, identify all other vessels that documented owner has > 5% ownership
11. Does the documented owner have ownership interests in BSAI crab processing facilities?
12. If answer to 11 is yes, identify all facilities that documented owner has > 5% ownership
13. Does the documented owner control or own crab fishing or processing history?
14. Comments

The North Pacific Fishery Management Council is examing ways to rationalize the Bering Sea and Aleutian Islands Crab fisheries through an individual quota program. The reliability of the analysis will depend on accurate and complete information on the ownership of crab fishing vessels and processors. By completing this online information request you will be doing your part to ensure that the analysis used by the Council is as accurate as possible.

1

Please complete the following information about your BSAI Crab fishing vessel. (If you or your company are the principle owners of more than one vessel, please complete additional surveys as appropriate.)

Vessel name

ADF&G vessel number

USCG vessel number

NMFS crab license number

2

Please provide the following information about the documented owner of this vessel. If the documented owner is a company, please indicate a contact person.

Name:

Company:

Address:

City: State: Zip:

3

Please provide the following information for the documented vessel owner:

area code and phone number

fax number

email address

4

Please choose the bullet that best describes the documented owner of this vessel.

- Individual
- Limited Liability Partnership (LLP) or other partnership
- 'S' Corporation
- 'C' Corporation

Subsidiary. Please specify the parent company.

5

If the documented owner of this vessel is a company, please provide the following information.

State in which company is licensed and documented

Business License Number

6

If the documented owner of the vessel is a partnership or corporation, please complete the following information about the person or company with the largest percentage of ownership in the company.

last name first name, or company name

percentage ownership

country of citizenship (if owner is an individual)

parent company (if applicable)

area code and phone number

email address

7

If the documented owner of the vessel is a company or partnership, please indicate names (last then first or company name) percentage ownership, country of citizenship (if owner is an individual) parent company (if applicable) area code and phone and email address of all other persons or companies that own more than 5% the company that owns this vessel.

Owner # 2

Owner # 3

Owner # 4

Owner # 5

Owner # 6

Owner # 7

Owner # 8

Owner # 9

Owner # 10

8 If there are more than 10 owners with more than 5% ownership, please use the box below to indicate last and first name or company name, percentage ownership, country of citizenship (if owner is an individual), parent company (if applicable) , area code and phone number, and email address of owners.

9 Please indicate whether the documented owner of this vessel has an ownership interest of more than 5% in other BSAI Crab fishing vessels. If no, then skip the next question.

YES NO

10 Please indicate the vessel name, ADF&G vessel number, USCG vessel number, and NMFS Crab License Number for all other BSAI crab vessels owned.

Vessel #2
Vessel #2
Vessel #3
Vessel #4
Vessel #5
Vessel #6
Vessel #7
Vessel #8
Vessel #9
Vessel #10

11 Does the documented owner of this vessel also have ownership interests in BSAI crab processing facilities. If no, please skip the next question.

YES NO

12 Please provide the following information for the BSAI crab processing facilities in which documented owner of this vessel owns more than 5%: facility name, facility location, ADF&G processing code, ADF&G vessel number (if applicable).

Facility #1
Facility #2
Facility #3
Facility #4
Facility #5
Facility #6
Facility #7

13 Does the documented owner of this vessel own or otherwise control the BSAI crab fishing or processing history of a vessel or processor that would not otherwise be allowed to participate in a rationalized crab fishery due to its lack of recent participation?

YES NO

14 Thank you for completing this information request. It will be used to develop crab vessel ownership organization charts similar to organization charts produced for the Councils AFA Processor Sideboard Analysis. There are no addition questions for this vessel, but if the documented owner of this vessel is the principle owner of other crab vessels, please complete additional forms for each vessel. If you would like to provide any comments, we would appreciate hearing from you in the box below.

After answering all the questions, click the "submit" arrow below to complete the survey.

SUBMIT

Help

Crab Vessel Ownership -- Minor Owners

The North Pacific Fishery Management Council is examing ways to rationalize the Bering Sea and Aleutian Islands Crab fisheries through an individual quota program. The reliability of the analysis will depend on accurate and complete information on the ownership of crab fishing vessels and processors. Information from the principle owner of the BSAI crab vessel specified in the subject line of this email indicates that you (or your company) own at least 5% of this BSAI crab vessel. By completing this online information request you will be doing your part to ensure that the analysis used by the Council is as accurate as possible.

1

Please complete the following information about the BSAI Crab fishing vessel indicated in the subject line of email to which this survey was attached.

Vessel name

ADF&G vessel number

Your percentage ownership in this vessel

2

Please provide the following information about you or your company.

Name:

Company:

Address:

City: State: Zip:

3

Please provide the following:

your area code and phone number

your fax number

your email address

4 Please choose the bullet that best describes you or your company.

- Individual
- Limited Liability Partnership
- 'S' Corporation
- 'C' Corporation
- Subsidiary. Please specify parent company

5 If you are a company, please provide the following information.

State in which company is licensed and documented

Business License Number

6 If you are a company please complete the following information about the person or company with the largest percentage of ownership in your company.

last name first name, or company name

percentage ownership

country of citizenship (if owner is an individual)

area code and phone number

email address

7 If you are a company, please indicate names (last first or company name) percentage ownership of the company, country of citizenship (if owner is an individual) parent company (if applicable) area code and phone and email address of all other persons or companies that own more than 5% this company.

Owner # 2

Owner # 3

Owner # 4

Owner # 5

Owner # 6

Owner # 7

Owner # 8

Owner # 9

Owner # 10

8 If there are more than 10 owners with more than 5% ownership in this company, please use the box below to indicate last and first name or company name, percentage ownership, country of citizenship (if owner is an individual), parent company (if applicable) , area code and phone number, and email address of owners.

9 Please indicate whether you or your company has an ownership interest of more than 5% in other BSAI Crab fishing vessels. If no, then skip the next question.

YES NO

10 Please indicate the vessel name, ADF&G vessel number, USCG vessel number, and NMFS Crab License Number for all other BSAI crab vessels owned.

Vessel #2
Vessel #2
Vessel #3
Vessel #4
Vessel #5
Vessel #6
Vessel #7
Vessel #8
Vessel #9
Vessel #10

11 Do you or your company also have ownership interests in BSAI crab processing facilities. If no, please skip the next question.

YES NO

12

Please provide the following information for the BSAI crab processing facilities in which your or your company own more than 5%: facility name, facility location, ADF&G processing code, ADF&G vessel number (if applicable).

Facility #1
Facility #2
Facility #3
Facility #4
Facility #5
Facility #6
Facility #7

13

Do you or your company own or otherwise control the BSAI crab fishing or processing history of a vessel or processor that would not otherwise be allowed to participate in a rationalized crab fishery due to its lack of recent participation?

YES NO

14

Thank you for completing this information request. It will be used to develop crab vessel ownership organization charts similar to organization charts produced for the Council's AFA Processor Sideboard Analysis. There are no further questions for this vessel, but if you or your company have ownership interests in other crab vessels, additional forms will be provided to you. If you would like to provide any comments, we would appreciate hearing from you in the box below.

After answering all the questions, click the "submit" arrow below to complete the survey.

SUBMIT